



**Department of
Social Services**

Human Resources
Administration

Department of
Homeless Services

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December 5, 2025

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

Re: Agency Response to the Office of the State Comptroller's (OSC) Follow Up Audit Report of the NYC Department of Homeless Services' (DHS) Oversight of Contract Expenditures of Institute for Community Living (ICL) 2025-F-16

Dear Mr. Gillooly,

We have received the Office of the State Comptroller's (OSC) Follow Up Audit Report of the Department of Homeless Services (DHS) Oversight of Contract Expenditures of Institute for Community Living (ICL) 2025-F-16. The purpose of the follow up audit was to determine whether the Agency implemented recommendations contained in OSC's initial audit report from September 2022 (2020-N-4).

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

There were a total of nine recommendations in the initial 2022 audit report. Upon review of supporting documentation provided by the Agency during the follow up audit, OSC determined that one recommendation was fully implemented, five were partially implemented, and three were not implemented.

DHS disagrees with OSC's determination on two recommendations and partially agrees with OSC on the rest.

Specifically, regarding Recommendations 6, 7 and 8, which were deemed by OSC as "not implemented", please note the following.

Recommendation 6:

Complete year-end closeouts on time.

DHS partially agrees with OSC but notes that oftentimes this process may be outside of the Agency and provider control due to various reasons. For instance, closeouts may be delayed when there are pending amendments to add funds to prior fiscal years, and the registration process may also take several months. Additionally, final closeouts require all invoices to be paid and depend on prior approval from the New York City Mayor's Office of Management and Budget (OMB).

Nevertheless, as part of its continued efforts to emphasize the importance and improve the processing of timely budget closeouts, DHS established a FY25 closeout schedule that was shared with providers in the Summer of 2025. The schedule included a timeframe for monthly invoice submission, closeout submission and internal closeout processing. DHS has been regularly tracking this schedule and following up with providers on missing and/or non-processed submissions and hopes to see future improvements in this area.

Recommendation 7:

Review ICL's food service operations and ensure that actions are taken to reduce excessive food waste.

The Agency disagrees with OSC that this recommendation was not implemented, as it contradicts what OSC stated in its Report, which is that "[f]ollowing the initial audit, DHS issued a food and nutrition policy that requires providers to track the numbers of meals ordered, served, and discarded; to use this information to forecast meal quantities ordered, thereby minimizing waste; and to provide meal discard reports monthly to DHS for review." This shows concerted effort on the Agency's part to take action in response to OSC's recommendation.

State Comptroller's Comment: Issuing a food and nutrition policy does not constitute a review of ICL's food service operations nor does it ensure that actions were taken to reduce excessive food waste.

DHS also disagrees with OSC’s statement about “continued food waste at ICL” as well as with OSC’s calculations of meal discards that led to this erroneous conclusion. DHS shelters are required to provide a minimum of three nutritional meals a day and snacks. They base their food ordering on the number of meals served to clients, which is linked to the bed occupancy in the shelter. As is noted in the enclosed CAP, the meal discards cited by OSC amount to just five meals per day, which is not at all wasteful for a shelter with 200 beds, especially considering that some residents may request an extra snack or meal.

State Comptroller’s Comment: While we disagree that discarded meals are not wasteful, the full extent of discarded meals is unknown; DHS officials did not provide documentation indicating who received the meals for all the periods we requested. According to DHS officials, ICL experienced technical difficulties that impacted its ability to generate complete meal count rosters and discard reports.

Recommendation 8:

Request and review supporting fringe benefits documentation, particularly at the closeout phase, to ensure that amounts claimed are accurate, incurred, and reimbursable.

DHS partially agrees with OSC but notes that while we review provider fringe benefit rates on an annual basis, providers are contractually obligated to certify that all reported expenses, including fringe benefits, are reasonable, necessary, and allocable to the funded program. This certification requirement functions as a first-level internal control, ensuring accountability at the provider level.

State Comptroller’s Comment: Provider self-certifications are not sufficient. For example, according to an independent auditor’s report (pertaining to an ICL homeless shelter) issued to DHS in April 2024, ICL claimed excess fringe benefits for the audited shelter and lacked procedures to ensure that fringe benefit rates did not exceed the maximum allowable rate. Moreover, DHS did not substantiate that it reviews provider fringe benefit documentation to ensure the amounts claimed were accurate, incurred, and reimbursable.

Going forward, DHS is strengthening its oversight processes to address this gap by:

- Updating monitoring procedures to include random sampling of fringe benefit documentation.
- Training staff to better identify potential high-risk areas within fringe benefit reporting.

Lastly, please note the following regarding Recommendation 9, which was deemed “partially implemented” by OSC and which the Agency considers fully implemented.

Recommendation 9:

Provide training to providers and DHS staff members to ensure that they are aware of the reimbursement requirements.

DHS disagrees with OSC that this recommendation was only partially implemented. As is stated in the OSC Final Report, “*DHS provided training to providers on issues such as invoice submission requirements, the monthly review process, required timelines, corrective actions for discrepancies and application of allocation methodologies.*” DHS also shared with OSC that staff were retrained on invoice review in 2021, post issuance of the MOCS Standard Health and Human Service Invoice Review Policy (SIRP). This was followed by an e-learn training for both DHS providers and staff, which was developed and deployed by the Agency afterwards and which continues to be available on demand to both groups to refresh their knowledge.

State Comptroller’s Comment: This recommendation was not fully implemented, as DHS officials did not substantiate that certain DHS staff members completed particular trainings pertinent to their responsibilities.

Please refer to the enclosed CAP for additional details on related training that DHS conducted along with applicable attendance records.

The detailed Agency response to all OSC recommendations is in the enclosed CAP.

We are confident that our response to this follow up audit demonstrates the Agency’s commitment to continually improving its operations. Should you have any questions regarding the enclosed, please contact Victoria Arzu, Executive Director of the DSS External Audit Facilitation Team (EAFT) at 929-221-7067.

We thank OSC for your partnership as we continue our critical mission.

Yours sincerely,

Anjella Babayeva

Anjella Babayeva
Deputy Commissioner, DSS Office of Audit & Quality Assurance

Enclosures

**NYC DEPARTMENT OF SOCIAL SERVICES
OFFICE OF AUDIT SERVICES**

Audit Name: Follow Up Audit of DHS Oversight of Contract Expenditures of Institute for Community Living (ICL) – Agency Response to Final Report

Audit Number: 2025- F-16

Date: 12/5/2025

Recommendations	Agency Response to 2020-N-4 Audit	OSC Summary Conclusions/Status of Audit Recommendations and Follow Up Observations	Agency Response
<p>Recommendation 1:</p> <p>Review and recover, as appropriate, \$2,376,462 in reported expenses that were not in compliance with the Fiscal Manual, Cost Manual, and Tillary contract.</p>	<p>Partially Agree</p> <p>DHS will complete a review and recover, as appropriate.</p> <p>Agency Corrective Action: Review and recoup accordingly. ICL recently submitted additional documents which need to be reviewed. Based on the documentation review, DSS will pursue recoupment of anything not substantiated.</p>	<p>Status – Partially Implemented</p> <p>Agency Action – Following the initial audit, DHS met with ICL and collected documentation pertaining to the \$2,376,462 in reported expenses that were not in compliance with the Fiscal Manual, Cost Manual, and Tillary contract. DHS officials stated that the documentation addressed most of the initial audit’s findings, and as a result, they recovered \$631,108 of the initial disallowed expenses. However, while officials provided ICL’s documentation associated with certain non-compliant expenses, they did not provide documentation supporting their own review of these expenses. Further, we question DHS’s decision not to recover \$1,636,630 of the remaining \$1,745,354. For example. DHS did not recover:</p> <ul style="list-style-type: none"> • \$832,392 in inadequately supported compensation costs for 62 employees who did not have time and attendance records for the 3 fiscal years ended June 30, 2019. During the initial audit, ICL officials stated that these records were lost in a malware attack. As part of our follow-up, DHS officials informed us that ICL had reached out to its payroll company and was able to obtain payroll records showing dates and times when these employees worked. However, the number of hours reflected on the payroll records provided for 25 employees was less than the number of hours ICL reported for these employees. 	<p>Partially Agree</p> <p>DHS disagrees with OSC’s statement that “while officials provided ICL’s documentation associated with certain non-compliant expenses, they did not provide documentation supporting their own review of these expenses.” Following the initial audit, DHS held multiple meetings with ICL and recovered \$631,108 from ICL for those expenses that were unsupported, based on documentation available at the time. If DHS did not review these expenses, it would not be able to provide OSC with corresponding documents or recoup from ICL.</p> <p>State Comptroller’s Comment: While DHS recovered part of the initial audit’s disallowance and provided ICL’s documentation associated with certain noncompliant expenses, it did not provide documentation supporting its own review of these expenses.</p> <p>DHS will re-review the inadequately supported employee records, which were not available during the initial audit, as well as the OTPS expenses questioned by OSC and determine whether additional recoupments are warranted.</p>

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		<p>Moreover, while the payroll records reflect the hours for which employees were paid, they are not the employees’ actual time and attendance records.</p> <ul style="list-style-type: none"> • \$564,712 in inadequately supported OTPS expenses. This included \$370,129 in security subcontractor expenses for which DHS failed to provide security attendance logs, \$92,492 in expenses for 35,920 prepared meals for which DHS stated food usage logs were not available, and \$102,091 in other inadequately supported OTPS expenses. • \$90,741 in overallocated compensation costs for 15 employees, indicating that DHS’ review did not deem these costs to be overallocated. DHS officials asserted they rely on providers’ attestations that reported allocations are accurate but did not provide documentation supporting their own review. They further asserted that, as a matter of course, they review and approve provider allocation methodologies, including during the provider’s annual budget submission. <p>Additionally, DHS did not recover \$148,785 in indirect costs related to the costs mentioned above.</p>	<p>The Agency reaffirms its prior response that we did not deem \$90,741 as overallocated compensation costs for 15 employees, and that we review and approve provider allocation methodologies as a matter of course, including during the provider’s annual budget submission.</p> <p>State Comptroller’s Comment: DHS did not provide documentation supporting its review of these compensation costs and the applicable allocation methodologies. While DHS may approve provider allocation methodologies, it is unclear whether officials review these methodologies to determine if they are fair, reasonable, and adequately supported. Moreover, we identified evidence of ICL overallocations during both the initial audit and the follow-up review.</p>

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<p>Recommendation 2:</p> <p>Ensure that providers comply with their contractual requirements to retain sufficient documentation to support proper procurement and maintenance of required inventories.</p>	<p>Partially Agree</p> <p>While it is critical that providers comply with all contractual requirements, DHS also notes that these requirements may change over time. When evaluating providers’ compliance with documentation requirements, it is critical to apply the standards that were in place.</p> <p>Agency Corrective Action: DHS and DSS monitor provider compliance with documentation requirements and other contractual obligations as a matter of course, including through use of third-party auditor firms.</p>	<p>Status – Partially Implemented</p> <p>Agency Action – After the initial audit, DHS officials issued documentation retention guidance to providers. For example, DSS issued two policy bulletins requiring providers must effectively track and maintain goods purchased with DHS funds, establish and follow DHS-approved standard operating procedure for inventory management, and retain all relevant records for at least 6 years after final payment or contract termination.</p> <p>DHS officials provided ICL’s Inventory Management Standard Operating Procedures (SOP); however, the SOP did not address all the minimum requirements listed in DHS’ guidance. We noted that DHS informed ICL in December 2023 that the SOP was not consistent with the requirements in ICL’s contract. However, DHS did not take any actions since then to ensure that ICL revised the SOP. DHS officials indicated they will work with ICL to address deficiencies. In addition, although DHS initially provided ICL’s supplies inventory and monthly meal count records for the period we requested, DHS did not provide documentation substantiating that it reviewed these documents. DHS officials later provided different versions of the supplies inventory and monthly meal count records. When we asked for clarification of the discrepancy, ICL officials indicated it resulted from the need to correct errors. However, because</p>	<p>Partially Agree</p> <p>Provider compliance with contractual requirements is a key component of DHS’ ongoing oversight efforts, which the Agency takes seriously. As is mentioned in the OSC report, DHS regularly provides various types of guidance, training and reminders to providers. Additionally, the Agency is currently developing an inventory management training to emphasize the instructions on how to maintain and document inventory records.</p> <p>As OSC noted in their Final Report, DHS provided the auditors with ICL’s Inventory Management Standard Operating Procedures (SOP) document, which was created by ICL in response to the initial OSC audit. DHS will continue working with the provider to revise it, so that it addresses all the requirements listed in the DHS guidance.</p> <p>Additionally, the Agency will continue working with ICL to ensure the provider keeps accurate and timely inventory and meal count records.</p> <p>DHS is committed to continually ensuring that providers comply with their contractual requirements to retain sufficient documentation to support proper procurement and maintenance of required inventories, including</p>

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		<p>ICL officials stated they check these records a monthly basis, we question why these corrections were not made prior to our follow-up. Consequently, we do not have assurance that ICL’s inventories are consistently and properly maintained.</p>	<p>through the use of third-party auditing firms. ICL contracts were included in the FY’17, FY’18, FY’20 and FY’21 CPA-managed Agency audits and will also be included in the next round of audits for FY’24.</p>
<p>Recommendation 3:</p> <p>Comply with existing internal policies and complete monthly expenditure reviews.</p>	<p>Partially Agree</p> <p>As is the case with documentation requirements, compliance with internal policies and expenditure review standards is critical but must be evaluated based on the rules in place during the time period covered by the review. Based on the review process in place at the time (review of three (3) line items), deficiencies might not have been identified.</p> <p>Agency Corrective Action: DHS and DSS assess compliance with policies and invoice review procedures as a matter of course. Under the MOCS invoice review policy released in early calendar year 2021, ICL invoices are subject to post-payment review, and DHS follows that policy.</p> <p>Training is available on an ongoing basis, and DHS and provider staff will be directed to</p>	<p>Status - Partially Implemented</p> <p>Agency Action – DHS officials indicated that 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.</p> <p>However, DHS did not always complete these reviews. For example, DHS did not complete expenditure reviews for 6 months in 2023: February, July, and September through December. DHS officials indicated that ICL does not invoice DHS every month, so there are some months when invoices are unavailable for review. Officials added that their invoice tracker is annotated with corresponding comments for these months; however, the invoice tracker DHS provided did not include comments. In addition, the MOCS procedure states that invoices must be submitted no later than the 30th of the month following the service month. More needs to be done to ensure ICL and other non-compliant providers submit invoices in a timely manner.</p>	<p>Partially Agree</p> <p>DHS does comply with its existing internal policies and completes expenditure reviews, as applicable. The Agency recently instituted a centralized repository, where all invoice review trackers and supporting documents are now saved. This streamlines the retention process and removes the dependency of information retrieval from individual staff members’ computers.</p> <p>State Comptroller’s Comment: DHS did not always complete required monthly expenditure reviews. For example, DHS did not complete expenditure reviews for 6 months in 2023.</p>

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	refresher training as necessary, with new staff directed to the training as they are onboarded.		
<p>Recommendation 4:</p> <p>Review and approve all provider allocation methodologies.</p>	<p>Partially Agree</p> <p>Agency Corrective Action: DHS Fiscal Manual details acceptable allocation methodologies for various expenses. Numerous examples are detailed in the Fiscal Manual and the Manual also notes that if a provider wants to deviate it must be approved by DHS. DHS reviews all allocations as part of the annual budget submission.</p> <p>Develop training module which details appropriate methods of allocation.</p>	<p>Status - Partially Implemented</p> <p>Agency Action – DHS officials indicated 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. However, as stated earlier, DHS officials rely on providers’ attestations that reported allocations are accurate and did not provide documentation supporting their own allocation methodology reviews. While DHS may approve provider allocation methodologies, it is unclear whether officials review these methodologies to determine if they are fair, reasonable, and adequately supported. Moreover, we identified evidence of ICL overallocations during both the initial audit and the follow-up.</p> <p>DHS officials stated that, while they rely on provider attestations, they review and approve allocation methodologies, including during providers’ annual budget submissions. In addition, they indicated that DHS provides</p>	<p>Partially Agree</p> <p>DHS disagrees with OSC’s statements that “DHS officials rely on providers’ attestations that reported allocations are accurate” and that “it is unclear whether officials review” allocation methodologies “to determine if they are fair, reasonable, and adequately supported.” While the Agency officials mentioned to OSC that they do rely on provider attestations, this is in addition to DHS’ reviews and approvals of all provider allocation methodologies, as a matter of course, including during the provider annual budget submission. Each proposed allocation methodology is reviewed and approved by a budget analyst, the budget director and the DHS Program staff during the budget submission process.</p> <p>State Comptroller’s Comment: DHS did not provide documentation supporting its review of provider allocation methodologies. While DHS may approve provider allocation methodologies, it is unclear whether officials review these methodologies to determine if they are fair, reasonable, and adequately supported. Moreover, we identified evidence of ICL overallocations during both the initial audit and the follow-up review.</p> <p>The Agency reaffirms its prior response about availability of web-based allocation methodology training and other related guidance to all DHS providers, including the DHS Fiscal Manual, which describes</p>

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		allocation methodology training and other guidance, such as the Fiscal Manual’s outline of acceptable allocation methodologies for various expenses. Further, the Fiscal Manual states that providers must obtain prior approval from DHS before deviating from an approved methodology.	acceptable allocation methodologies and provider requirement to obtain prior approval from DHS before deviating from an approved methodology. The Agency will continue to work with all providers, including ICL, to further improve their understanding and application of allocation methodologies.
<p>Recommendation 6:</p> <p>Complete year-end closeouts on time.</p>	<p>Agree</p> <p>Agency Corrective Action: Work with Providers to ensure that any final budget modifications are submitted on a timely basis and a final closeout invoice is submitted soon</p>	<p>Status – Not Implemented</p> <p>Agency Action – DHS did not complete year-end closeouts on time. The ICL year-end closeouts for fiscal years 2020 through 2024 were completed an average of 442 days late. DHS officials indicated that year-end closeouts are not fully within DHS’ and the provider’s control. They stated that the</p>	<p>Partially Agree</p> <p>The Agency reaffirms its prior response that while DHS prioritizes timely budget closeouts, final closeouts require all invoices to be paid and depend on prior approval from the NYC Mayor’s Office of Management and Budget (OMB). Nevertheless, as part of its</p>

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	after the budget modification is reviewed and approved by DHS.	final closeouts require all invoices to be paid and depend on prior approval from the New York City Mayor’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.	continued efforts to emphasize the importance and improve the processing of timely budget closeouts, DHS established a FY25 closeout schedule that was shared with providers during the meeting on 7/28/25. The schedule included a timeframe for monthly invoice submission, closeout submission and internal closeout processing. DHS has been regularly tracking this schedule and following up with providers on missing and/or non-processed submissions. A copy of the Microsoft Outlook invite to this meeting is enclosed with this response.
<p>Recommendation 7:</p> <p>Review ICL’s food service operations and ensure that actions are taken to reduce excessive food waste.</p>	<p>Agree</p> <p>Agency Corrective Action: A Director’s Memo highlighting important aspects of the existing Food Policy intended to prevent food waste will be sent out to providers in August 2022.</p>	<p>Status – Not Implemented</p> <p>Agency Action – Following the initial audit, DHS issued a food and nutrition policy that requires providers to track the numbers of meals ordered, served, and discarded; to use this information to forecast meal quantities ordered, thereby minimizing waste; and to provide meal discard reports monthly to DHS for review.</p>	<p>Disagree with an explanation</p> <p>The Agency disagrees with OSC that this recommendation was not implemented, as it contradicts what OSC stated in its Final Report. As a reminder, the initial recommendation was to “[r]eview ICL’s food service operations and ensure that actions are taken to reduce excessive food waste.” Per OSC, “[f]ollowing the initial audit, DHS issued a food and nutrition policy that requires providers to track the numbers of meals ordered, served, and discarded; to use this information to forecast meal quantities ordered, thereby minimizing waste; and to provide meal discard reports monthly to DHS for review.” This shows that the Agency, in fact,</p>

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		<p>However, DHS officials did not provide documentation substantiating they reviewed ICL’s food service operations and ensured ICL took all the actions noted in the policy.</p> <p>Moreover, documentation we obtained during the follow-up revealed continued food waste at ICL. We selected a judgmental sample of 6 non-consecutive months and reviewed ICL’s meal count documentation. The documentation indicated that ICL discarded 875 meals during these months. Based on this information, we estimated that approximately 4,813 meals were discarded since we issued the initial audit report in September 2022.</p>	<p>did take multiple measures to address this recommendation.</p> <p>State Comptroller’s Comment: Issuing a food and nutrition policy does not constitute a review of ICL’s food service operations nor does it ensure that actions were taken to reduce excessive food waste.</p> <p>DHS also disagrees with OSC’s statement that “DHS officials did not provide documentation substantiating they reviewed ICL’s food service operations and ensured ICL took all the actions noted in the policy.” Per <i>DHS-PB-2024-008 Food and Nutrition Policies for Providing Safe and Nutritious Meals in the Department of Homeless Services (DHS) Shelter System</i>, which was issued in 2024 to update the 2019 policy, DHS has mandated all its shelter providers “to monitor food discards daily and enter the data into the Food Services module of the Building Compliance System (BCS). DHS also shared with OSC the food discard reports for the requested six months and would not have been able to do so if it did not review ICL’s food service operations.</p> <p>State Comptroller’s Comment: Although DHS provided ICL food discard reports, it did not provide documentation substantiating its own analysis of the reports and ICL’s food service operations. Moreover, DHS officials stated that ICL experienced technical difficulties that impacted its ability to generate complete meal count rosters and discard reports.</p>

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			<p>Further, DHS strongly disagrees with OSC’s statement about “continued food waste at ICL” as well as with OSC’s calculations of meal discards that led to this erroneous conclusion.</p> <p>DHS shelters are required to provide a minimum of three nutritional meals a day (breakfast, lunch and dinner) and snacks. They base their food ordering on the number of meals served to clients, which is linked to the bed occupancy in the shelter. The ICL Tillary shelter that is the subject of the current OSC audit contains 200 beds. Using OSC’s count of 875 meals discarded within six months and dividing 875 by six, there are 146 meals per month that were discarded. When 146 is divided by 30 days, this amounts to just five meals per day that were discarded. Considering the shelter size and that some residents may request an extra snack or meal, discarding five uneaten meals per day can hardly be called “wasteful”.</p> <p>State Comptroller’s Comment: While we disagree that discarded meals are not wasteful, the full extent of discarded meals is unknown; DHS officials did not provide documentation indicating who received the meals for all the periods we requested. According to DHS officials, ICL experienced technical difficulties that impacted its ability to generate complete meal count rosters and discard reports.</p>

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		<p>In addition, DHS officials did not provide documentation indicating who received the meals for all the periods requested. They stated that ICL experienced technical difficulties, which impacted its ability to generate complete meal count rosters and discard reports.</p>	<p>DHS will continue to work with ICL on further improving their record-keeping process, including documentation indicating who received the meals. We note that all shelter residents received the meals, despite ICL’s inability to produce corresponding documentation.</p> <p>State Comptroller’s Comment: It is unclear how DHS officials determined that all shelter residents received the meals without having the corresponding documentation.</p>

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<p>Recommendation 8:</p> <p>Request and review supporting fringe benefits documentation, particularly at the closeout phase, to ensure that amounts claimed are accurate, incurred, and reimbursable.</p>	<p>Agree</p> <p>Agency Corrective Action: Continue to review fringe as a part of the budget review and approval process.</p>	<p>Status – Not Implemented</p> <p>Agency Action – DHS did not substantiate that it reviews provider fringe benefit documentation to ensure the amounts claimed were accurate, incurred, and reimbursable. DHS officials stated that while DHS annually reviews provider fringe benefit rates as part of the budget submission, its monitoring framework places primary responsibility for maintaining complete and accurate fringe benefit records on the providers. Officials noted that providers are contractually obligated to certify that all reported expenses, including fringe benefits, are reasonable, necessary, and allocable to the funded program. They stated that this certification requirement functions as first-level internal control and ensures accountability at the provider level. However, this is not sufficient. For example, according to an independent auditor’s report (pertaining to an ICL homeless shelter) issued to DHS in April 2024, ICL claimed excess fringe benefits for the audited shelter and lacked procedures to ensure that fringe benefit rates did not exceed the maximum allowable rate. During our follow-up, DHS officials stated they review and approve fringe benefits when approving provider budgets, but they did not say how the review was conducted or provide support for it. This underscores the need for DHS to review fringe benefits to ensure that they are accurate, incurred, and reimbursable. Officials stated that going forward, DHS is strengthening its oversight processes</p>	<p>Partially Agree</p> <p>While the Agency reviews provider fringe benefit rates on an annual basis, as part of the budget submission, its established monitoring framework places primary responsibility for maintaining complete and accurate fringe benefit records on the contracted providers, in line with contract provisions and applicable regulations. Providers are contractually obligated to certify that all reported expenses, including fringe benefits, are reasonable, necessary, and allocable to the funded program. This certification requirement functions as a first-level internal control, ensuring accountability at the provider level.</p> <p>State Comptroller’s Comment: Provider self-certifications are not sufficient. For example, according to an independent auditor’s report (pertaining to an ICL homeless shelter) issued to DHS in April 2024, ICL claimed excess fringe benefits for the audited shelter and lacked procedures to ensure that fringe benefit rates did not exceed the maximum allowable rate. Moreover, DHS did not substantiate that it reviews provider fringe benefit documentation to ensure the amounts claimed were accurate, incurred, and reimbursable.</p>

**NYC DEPARTMENT OF SOCIAL SERVICES
OFFICE OF AUDIT SERVICES**

Audit Name: Follow Up Audit of DHS Oversight of Contract Expenditures of Institute for Community Living (ICL) – Agency Response to Final Report

Audit Number: 2025- F-16

Date: 12/5/2025

Recommendations	Agency Response to 2020-N-4 Audit	OSC Summary Conclusions/Status of Audit Recommendations and Follow Up Observations	Agency Response
		<p>by updating monitoring procedures to include random sampling of fringe benefit documentation and training staff to better identify potential high-risk areas within fringe benefit reporting.</p>	<p>Going forward, DHS is strengthening its oversight processes to address this gap by:</p> <ul style="list-style-type: none"> - Updating monitoring procedures to include random sampling of fringe benefit documentation. - Training staff to better identify potential high-risk areas within fringe benefit reporting.
<p>Recommendation 9:</p> <p>Provide training to providers and DHS staff members to ensure that they are aware of the reimbursement requirements.</p>	<p>Agree</p> <p>Agency Corrective Action: MOCS distributed the Standard Invoice Review Procedure to all providers. DSS developed a detailed training this year that is being rolled out to Provider staff.</p>	<p>Status – Partially Implemented</p> <p>Agency Action – DHS provided training to providers on issues such as invoice submission requirements, the monthly review process, required timelines, corrective actions for discrepancies and application of allocation methodologies.</p> <p>However, DHS officials did not substantiate that certain DHS staff members completed particular training pertinent to their responsibilities. For example, officials did not provide documentation supporting that first-level invoice reviewers completed invoice review training. In addition, officials did</p>	<p>Disagree</p> <p>This recommendation was fully implemented. As is stated in the OSC Final Report, “DHS provided training to providers on issues such as invoice submission requirements, the monthly review process, required timelines, corrective actions for discrepancies and application of allocation methodologies.”</p> <p>Regarding documentation supporting that certain DHS staff members, such as first-level invoice reviewers completed the invoice review training, DHS previously shared with OSC that these staff were trained in 2021, post issuance of the MOCS Standard Health and Human Service Invoice Review Policy (SIRP). DHS later</p>

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		<p>not provide documentation demonstrating that training refreshers were available for DHS or ICL staff.</p>	<p>developed and deployed an e-learn training for both its providers and staff, including the DHS staff who took the training in 2021. See attached spreadsheet for listing of all DHS staff trained. Note that this e-learn course is available on demand to both groups to refresh their knowledge.</p> <p>Additionally, DHS is enclosing with this response the Outlook calendar invites from its monthly DHS Contract Managers’ Meeting, attended by first-level invoice reviewers among others, where the following related topics were discussed:</p> <p>7/2024 and 8/2024:</p> <ul style="list-style-type: none"> • Mayor’s Office of Contract Services (MOCS) Standard Health and Human Services Invoice Review Policy (SIRP) effective 1/1/2021 <p>12/2024:</p> <ul style="list-style-type: none"> • Enhanced invoice review breakdown • Contracted Provider monthly invoice submission document when on Enhanced Invoice Review (ER) • Checklist for examples of irregularities to watch for when reviewing OTPS and PS line items <p>8/2025:</p> <ul style="list-style-type: none"> • Best Practices to Reduce Invoicing Delays

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		Further, officials indicated that DHS conducted MOCS Passport reminder and best practices training in April 2025; however, they did not provide attendance records for this training.	DHS previously provided OSC the attendance records for the MOCS Passport reminder and best practices training in April 2025, which are being resubmitted with this response. State Comptroller's Comment: DHS officials did not substantiate that certain DHS staff members completed particular trainings pertinent to their responsibilities.