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STATE OF NEW YORK
OFFICE OF THE STATE COMPTROLLER

November 6, 2025

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

Re: New York City Department of
Homeless Services – Oversight of
Contract Expenditures of Institute for
Community Living, Inc.
Report 2025-F-16

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, *New York City Department of Homeless Services – Oversight of Contract Expenditures of Institute for Community Living, Inc.* (Report [2020-N-4](#)).

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 and for providing fiscal oversight of the homeless shelters. In March 2014, DHS contracted with the Institute for Community Living, Inc. (ICL), a New York 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 women with mental illness and co-morbid substance abuse disorders at its 200-bed Tillary Street Women's Shelter (Tillary) for the period from December 2013 to December 2021. The original contract for \$15.2 million was renewed twice and amended twice for a total of \$35.6 million during the 2015–16 to 2019–20 fiscal years for an aggregate cost of approximately \$50.8 million. During the 3 fiscal years ended June 30, 2019, ICL claimed \$24.5 million in reimbursable expenses for the contract.

DHS is responsible for monitoring its contract with ICL to ensure reported costs are allowable, supported, and program-related. To qualify for reimbursement, ICL's invoice/expenses must comply with the requirements in 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 Tillary contract.

The objective of our initial audit, issued on September 16, 2022, was to determine whether DHS was effectively monitoring its contract with ICL 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 ICL to ensure reported costs were allowable, supported, and program-related. DHS did not complete required expenditure reviews or ensure that year-end closeouts were completed timely. Consequently, for the 3 fiscal years ended June 30, 2019, we identified \$2,376,462, or 9.7% of all reported costs, that did not comply with the requirements in the Fiscal Manual, Cost Manual, and contract, including \$1,234,488 in personal service costs, \$925,932 in other than personal service (OTPS) costs, and \$216,042 in indirect costs. We also estimated that ICL may have discarded approximately 155,760 meals (valued at \$444,690) over the audit period.

The objective of our follow-up was to assess the extent of implementation, as of September 2025, of the nine 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 nine audit recommendations, one was implemented, five were partially implemented, and three were not implemented.

Follow-Up Observations

Recommendation 1

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.

Status – Partially Implemented

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' decision not to recover \$1,636,630 of the remaining \$1,745,354. For example, DHS did not recover:

- \$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. Moreover, while the payroll records reflect the hours for which employees were paid, they are not the employees' actual time and attendance records.

- \$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.

Additionally, DHS did not recover \$148,785 in indirect costs related to the costs mentioned above.

Recommendation 2

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 issued documentation retention guidance to providers. For example, DSS issued two policy bulletins requiring providers to 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.

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 this discrepancy, ICL officials indicated it resulted from the need to correct errors. However, because ICL officials stated they check these records on 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.

Recommendation 3

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, 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 trackers DHS provided did not include such 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.

Recommendation 4

Review and approve all provider allocation methodologies.

Status – Partially Implemented

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.

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 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.

Recommendation 5

Ensure that ICL adheres to the competitive bidding procedures.

Status – Implemented

Agency Action – ICL adhered to the competitive bidding procedures. We requested and DHS provided approval forms and bids for ICL's security and prepared meals subcontracts for fiscal years 2020 through 2025. Although ICL never selected the lowest bidder for these services, it provided justification letters for its subcontractor selections.

Recommendation 6

Complete year-end closeouts on time.

Status – Not Implemented

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 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.

Recommendation 7

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

Status – Not Implemented

Agency Action – Following the initial audit, DHS issued a food and nutrition policy that requires providers to track the number 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. 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. 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. 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.

Recommendation 8

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

Status – Not Implemented

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 a 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 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.

Recommendation 9

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

Status – Partially Implemented

Agency Action – DHS provided training to providers on issues such as invoice submission requirements, the monthly review process, the annual budget review, required timelines, corrective actions for discrepancies, and application of allocation methodologies. 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 not provide documentation demonstrating that training refreshers were available for DHS or ICL staff. 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.

Major contributors to this report were Hardat Singh, Phoebe Leslie, and Steven Townsend.

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, New York City Department of Social Services
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