Department of Social Services
Human Resources Administration
Department of Homeless Services

DSS Accountability Office

Office of Audit & Quality Assurance

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June 22, 2026

Mr. David Schaeffer
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 (OSC) Follow Up Audit Report of the NYC Department of Homeless Services (DHS) Oversight of Contract Expenditures of Samaritan Daytop Village, Inc. (SDVI) 2025-F-23

Dear Mr. Schaeffer,

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 Samaritan Daytop Village, Inc. (SDVI) 2025-F-23. The purpose of the follow up audit was to determine whether the Agency implemented recommendations contained in OSC's initial audit report from February 2024 (2022-N-6).

There were a total of six recommendations in the initial 2024 audit report. Upon review of supporting documentation provided by the Agency during the follow up audit, OSC determined that five recommendations were partially implemented, and one was not implemented.

As OSC acknowledges in their report, "DHS officials have made progress in addressing issues identified in the initial audit report; however, more work needs to be done." The Agency agrees that continuous improvements are needed. Below are some of the details on such improvements that are already in place as well as the description of some of our future plans to continue to improve our processes, where possible.

Recommendation 1: *Review and recover, as appropriate, $566,556 in reported expenses that were not in compliance with the Fiscal Manual, Cost Manual, and the Myrtle contract.*

Following the initial audit, DHS held multiple meetings with SDVI and recovered $124,313 from SDVI for those expenses that were unsupported, based on documentation available at the time. Upon completion of the OSC Follow Up audit, DHS has resumed meetings with SDVI and has been re-reviewing the remaining expenses that were deemed as "inadequately supported" by OSC to determine whether additional recoupments are warranted.

Recommendation 2: *Ensure that providers comply with the DHS and contractual requirements to retain sufficient documentation to support claimed expenditures.*

As noted in the OSC Report, the Agency monitors provider compliance with contractual requirements during the regular course of business, including through the use of third-party auditing firms. In addition, DHS regularly issues provider memos on timekeeping and payroll records retention and provides training on multiple relevant issues, such as annual budget and invoice review procedures and application of allocation methodologies.

State Comptroller's Comment: The third-party audit report DHS refers to did not specifically address Samaritan's Myrtle operations. Furthermore, DHS' own invoice reviews did not identify instances when expenses lacked adequate documentation.

As part of its continuous efforts for improvement, in March 2026, the Agency issued an updated DHS Fiscal Manual, where it reaffirmed that "*providers are required to retain all books, records, and other documents relevant to a provider's agreement for six years after the final payment or expiration or termination of the provider's agreement…"* and that [a]t any time during a provider's agreement or during the record retention period, the City… may *"have full access to and the right to examine and copy all books, records, and other documents maintained or retained by or on behalf of the provider."*

State Comptroller's Comment: Notwithstanding DHS' updated Fiscal Manual, requirements regarding appropriate support for claimed expenses existed previously and were not always followed.

Recommendation 3: *Review and approve all provider allocation methodologies.*

The Agency reviews and approves allocation methodologies as part of budget reviews.

State Comptroller's Comment: DHS did not support that it reviewed the underlying basis for the allocations.

As noted in the OSC Report, the Agency not only provided the requested allocation methodology worksheets for fiscal years 2022 - 2026 but also offers online allocation methodology training to all providers.

The aforementioned updated DHS Fiscal Manual provides extensive guidance on the proper use of allocation methodology, including a sample worksheet, which breaks down proper submission to the Agency. Effective fiscal year 2027, for Personnel Services (PS) allocation timesheet sampling is no longer accepted, and the only acceptable methodology is site capacity. The Agency also conducts "Office Hours" meetings to provide guidance and overview on acceptable methodologies. Lastly, the Agency is working on updating its existing allocation methodology training to align with the updated Fiscal Manual.

Recommendation 4: *Comply with existing internal policies and complete detailed expenditure reviews.*

DHS assesses compliance with policies and invoice review procedures as part of regular business. As is confirmed in the OSC Report, the Agency provided documentation to support that we reviewed at least one line-item expenditure per month for audited fiscal years.

As to the Equipment Purchase Inventory Report, which OSC states Samaritan submitted but DHS did not provide to OSC, please note that the Agency provided OSC with this report for November 2021 along with the invoice trackers on December 15, 2025, but is resubmitting it with the current response. The report for March 2024 is also enclosed with this response. Please note that providers are required to submit this report, even if there were no purchases made during that timeframe.

State Comptroller's Comment: DHS' Fiscal Manual required that all goods received be inventoried. Although DHS reviewed expenses for supplies, it did not identify instances when those expenses lacked adequate documentation (i.e., required inventory records.) As stated on page 6 of our report, DHS officials did not provide inventory records related to its 2023–24 and 2024–25 invoice reviews. After we issued our final report, DHS provided a copy of a March 2024 Equipment Purchases Inventory Report; however, the inventory report was blank. Furthermore, this report is not used to record inventory of supplies, such as the ones under DHS' invoice review.

Recommendation 5:

Complete year-end closeouts on time.

The Agency agrees that year-end closeouts should be completed on time. However, as previously shared with OSC, final closeouts require all invoices through June to be paid. The Agency regularly reminded providers that a close out is to be completed on the approved budget and that any pending new need will be added to the budget when they are approved by DHS and OMB, as many providers report waiting for new need approval before submitting a closeout.

As part of the Agency's continued efforts to improve and emphasize the importance of the processing of timely budget closeouts, DHS established a fiscal year 2025 closeout schedule that was shared with all providers. 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. Additionally, the DHS Executive Office has been hosting Budget Office hours meetings to provide training on budget submissions and answer related questions. Lastly, the DHS Executive Office also sends the providers reminder emails when invoices are coming due and promotes proactive communication with the Program team in case of potential delays in invoice submission.

State Comptroller's Comment: As noted on page 6 of our report, year-end closeouts were routinely late or not completed. In their response, DHS officials repeated that the year-end closeout cannot happen until budget modifications are processed. However, without appropriate steps, such delays will continue. For example, we noted the 2021–22 fiscal year was still not closed out despite DHS acknowledging Samaritan had not requested a budget modification. It remains unclear why this delay is acceptable to DHS and whether DHS' planned actions will address this delay and prevent similar delays in the future.

Recommendation 6: *Provide training to providers and DHS staff members to ensure that they are aware of the reimbursement requirements.*

As stated in the OSC Report, DHS provided training to providers that addresses issues such as annual budget procedures, invoice review, application of allocation methodologies, and others. OSC states that the Agency was unable to substantiate training attendance by one DHS program staff who routinely reviewed the Myrtle contract expenses during the audited years. The referenced DHS program staff member completed the invoice review and allocation methodology training sessions. Both confirmations were submitted to OSC on February 10, 2026.

State Comptroller's Comment: We reviewed all the information provided by DHS, and it supported that one individual had received training.

As previously shared with OSC, DHS developed and deployed e-learning training for both its providers and staff. Additionally, the Agency conducts monthly Contract Managers' meetings, attended by DHS staff members who routinely review expenses. The Agency will continue to monitor training attendance by both its staff and providers.

We are confident that our response to this follow-up audit demonstrates DSS' 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

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Deputy Commissioner, DSS Office of Audit & Quality Assurance