

New York State Comptroller
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New York City Department of Social Services

New York City Department of Homeless
Services: Oversight of Contract Expenditures
of Samaritan Daytop Village, Inc. (Follow-Up)

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Prepared by the Division of State Government Accountability

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Authority

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 Samaritan Daytop Village, Inc.* (Report [2022-N-6](#)).

Background, Objective, and Scope

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 July 2013, DHS contracted with Samaritan Daytop Village, Inc. (Samaritan), 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 men with mental illness at its 160-bed Myrtle Avenue Men's Shelter (Myrtle) for the period from August 2013 to June 2018. The original contract for \$30.1 million was renewed and increased during the period from July 1, 2018 through June 30, 2022 to an aggregate cost of approximately \$44 million. During the COVID-19 pandemic, per DHS directives, Myrtle operations were moved to an alternative site (in Long Island City) from mid-May 2020 to early July 2021. During the 2 fiscal years ended June 30, 2021, Samaritan claimed \$15.1 million in reimbursable expenses for the contract.

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

The objective of our initial audit, issued on February 6, 2024, was to determine whether DHS was effectively monitoring its contract with Samaritan to ensure reported costs were allowable, supported, and program-related. The audit—which covered expenses claimed by Samaritan for fiscal years ended June 30, 2020 and June 30, 2021 and limited aspects of DHS' claim expense monitoring for the 3 fiscal years ended June 30, 2022—found DHS was not effectively monitoring its contract with Samaritan. It was also unclear whether DHS completed the required expenditure reviews. Additionally, DHS did not ensure that year-end close-outs were completed timely. Consequently, for the 2 fiscal years ended June 30, 2021, we identified \$566,556 of all reported costs that did not comply with the requirements in the Fiscal Manual, Cost Manual, and Myrtle contract, including \$235,993 in personal service costs, \$277,662 in other than personal service costs, and \$52,901 in indirect costs.

The objective of our follow-up was to assess the extent of implementation, as of February 10, 2026, of the six recommendations included in our initial audit 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 six audit recommendations, five were partially implemented and one was not implemented.

Follow-Up Observations

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.

Status – Partially Implemented

Agency Action – Following the initial audit, DHS met with Samaritan and collected documentation pertaining to the \$566,556 in reported expenses that were not in compliance with the Fiscal Manual, Cost Manual, and Myrtle contract. DHS officials stated that the documentation they collected addressed most of the initial audit's findings, and, as a result, they recovered \$124,313 of the initial disallowed expenses. During the follow-up, DHS provided support for an additional \$25,972 in other than personal service expenses that were appropriate.

Additionally, DHS officials stated that Samaritan officials acknowledged overclaiming an additional \$65,129 in personal service expenses identified during the initial audit. However, DHS did not recover this amount. Subsequent to our follow-up, DHS officials advised us that Samaritan re-reviewed the \$65,129 and determined the overclaimed amount should be reduced to \$31,162, which DHS officials now plan to recover.

However, DHS did not provide support that the remaining \$385,109 in expenses were appropriate as follows:

- \$195,294 in inadequately supported personal service expenses, comprising:
 - \$151,847 in excessive compensation where the claimed hours worked exceeded the hours shown on the Timecard Reports. DHS officials did not provide their review or the documentation they reviewed to support that these expenses were appropriate.
 - \$21,896 in unsupported compensation for two Samaritan executives whose compensation was allocated to the Myrtle contract. DHS officials did not provide any support for the basis for the allocated hours, such as a time sheet analysis or that these expenses were reviewed by DHS.
 - \$21,551 in unsupported COVID-19 compensation for employees who provided coverage at other Samaritan shelters. DHS officials disagreed with the findings; however, they did not provide any documentation showing that they reviewed

these expenses or that these employees worked for the benefit of the Myrtle contract for the hours claimed.

- \$149,709 in inadequately supported other than personal service expenses, comprising:
 - \$125,758 in contracted security expenses, including \$57,112 for which the time records did not support the claimed invoices; \$32,479 not supported by time records; and \$36,167 in duplicated contracted security expenses—claimed as both non-COVID and COVID expenses. Although DHS officials indicated they reviewed and determined there were no duplicates, they did not provide their review or the documentation that they reviewed to make this determination.
 - \$23,383 in insurance, accounting, telephone, and office supply expenses that lacked support for the basis of the methodologies used to allocate these expenses to the Myrtle contract. Despite this omission, DHS officials stated that they reviewed documentation to support the claimed expenses and determined that the expenses were allowable. However, DHS officials did not provide documentation to support that the methodologies used were acceptable.
 - \$568 in expenses for two printers that were not related to the Myrtle contract. DHS stated that it reviewed documentation to support the claimed expenses and determined the expenses were allowable. However, we reviewed the documentation and determined the printers were shipped to Samaritan—not the Myrtle shelter. Further, there were no inventory records of them being received.

Additionally, DHS did not recover \$40,106 in indirect costs.

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

Status – Partially Implemented

Agency Action – DHS officials indicated they monitor provider compliance with DHS and contractual requirements during the regular course of business, including through the use of third-party auditing firms. After the initial audit, DHS issued a memorandum on timekeeping and payroll records retention and provided training to providers on issues such as annual budget procedures, invoice review procedures, and the application of allocation methodologies.

In addition, DHS conducted selective invoice reviews of the Myrtle contract expenses for fiscal years 2023–24 and 2024–25. We reviewed DHS' Invoice Tracker Forms (which document its invoice reviews) for fiscal years 2023–24 and 2024–25 and found that DHS' invoice reviews did not identify instances in which the expenses claimed lacked adequate documentation, such as inventory records and allocation support. Further, while DHS provided copies of the third-party audit reports, none of these reports specifically addressed Samaritan's Myrtle operations. However, we noted the 2024 review of Samaritan's fiscal year 2020–21 shelter expenses, across multiple contracts other than Myrtle, also found unsupported salaries and fringe benefits.

Recommendation 3 – Review and approve all provider allocation methodologies.

Status – Partially Implemented

Agency Action – DHS officials provided allocation methodology worksheets for fiscal years 2022–23 through 2025–26 and indicated they review all allocations as part of the annual budget submission. However, they did not provide support to show that they reviewed these methodologies, including the basis for the allocations to ensure that they are fair, reasonable, and adequately supported.

DHS also provided training on the allocation methodology to providers. While the training identified the two methods prescribed in the Fiscal Manual to allocate shared employees, there is a disconnect between the time sheet sampling guidance and DHS' policy to approve allocation methodologies during the annual budget process. The training guidance states providers should sample 2 to 3 weeks of employees' time sheets quarterly, compute the allocation percentage based on the number of hours worked on a program over the total hours worked, and use that ratio throughout the fiscal year. However, DHS' approval of the allocation methodologies precedes the fiscal year, so the allocation ratios would not be available at that time.

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

Status – Partially Implemented

Agency Action – DHS officials provided documentation to support that they reviewed at least one line-item expenditure per month for fiscal years 2023–24 and 2024–25, as required by the New York City Mayor's Office of Contract Services invoice review procedures. We reviewed DHS' Invoice Tracker Forms for fiscal years 2023–24 and 2024–25 and found that DHS' reviews did not identify instances in which the expenses claimed lacked adequate documentation, such as inventory records and allocation support. In response, DHS stated that Samaritan submitted an Equipment Purchase Inventory Report; however, DHS did not provide this report to us. Furthermore, DHS officials did not provide any support to show they had reviewed the appropriateness of the allocated expenses.

Recommendation 5 – Ensure that annual close-out invoices are submitted timely.

Status – Not Implemented

Agency Action – DHS did not complete year-end close-outs of Samaritan's expenses for fiscal years 2021–22 through 2024–25. As of October 2025, close-outs for these fiscal years were outstanding for 1,110, 745, 404, and 39 days, respectively. DHS stated that close-outs are not fully within DHS' and the providers' control. However, DHS officials did not state what actions, if any, they took to ensure that providers such as Samaritan submit their budget modifications timely. We also note that the Fiscal Manual states that delays in submitting the close-out invoices may result in delays in payments for the following fiscal year.

DHS stated that, per the Fiscal Manual, providers must submit budget modifications by September 1 or the next business day if September 1 falls on a weekend. DHS also stated that Samaritan did not request budget modifications for the Myrtle contract for fiscal year 2021–22 and 2022–23 and that amendments would be initiated to fund new needs for fiscal year 2022–23. However, as stated earlier, neither of these fiscal years has been closed out. In addition, DHS did

not provide any reasons why fiscal year 2021–22 has not been closed out. We question the appropriateness of initiating budget modifications for fiscal year 2022–23 in fiscal year 2025–26—2 years after the close of the fiscal year—and why this delay is acceptable to DHS. Furthermore, we do not know the amount of the budget modification and the effect of the undue delay in reimbursements to Samaritan. Notwithstanding the requirements of the Fiscal Manual, we requested, but DHS did not provide, details of the various stages, departments, agencies, and timelines involved in the close-out process or what causes the delay. While DHS officials stated that they review close-out expenses, they did not say who reviews them, whether some or all of the expenses are reviewed, or how the review is documented. Consequently, we have no assurance that they conduct these reviews.

Recommendation 6 – 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 that addressed issues such as annual budget procedures, invoice review, application of allocation methodologies, and identification of the funding sources to which the expenses should be allocated. DHS also provided documentation to support that some DHS staff attended meetings and training. However, DHS officials did not substantiate that the two DHS program staff who routinely reviewed the Myrtle contract expenses in fiscal years 2023–24 and 2024–25 attended these meetings or completed any training pertinent to their responsibilities. Subsequent to our closing conference, DSS officials provided documentation indicating that one of the individuals has since attended training.

Reporting Requirements

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.



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