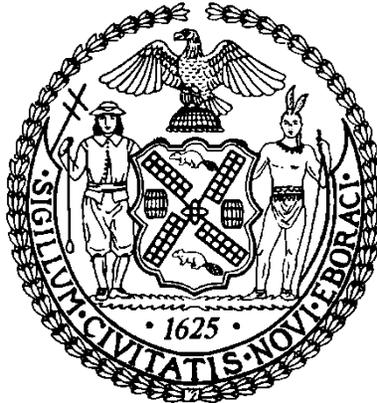


**CITY OF NEW YORK
OFFICE OF THE COMPTROLLER**

**John C. Liu
COMPTROLLER**

FINANCIAL AUDIT

**Tina Kim
Deputy Comptroller for Audit**



**Audit Report on the Department of Homeless
Services' Controls Over Billing and Payments
Made to Aguila, Inc.**

FK10-130A

November 4, 2011



THE CITY OF NEW YORK
OFFICE OF THE COMPTROLLER
1 CENTRE STREET
NEW YORK, N.Y. 10007-2341

John C. Liu
COMPTROLLER

November 4, 2011

To the Residents of the City of New York:

My office has audited the Department of Homeless Services' (DHS) controls over billing and payments made to Aguila, Inc. We audit oversight agencies and their service provider entities such as Aguila as a means of ensuring that they comply with the terms of their agreements.

DHS provides temporary emergency shelter and social services to eligible homeless families through approximately 150 providers. In Fiscal Year 2010, DHS paid Aguila approximately \$27.3 million for services it provided directly (\$26.3 million) and indirectly as a sub-contractor (\$1 million).

The audit revealed that DHS did not adequately monitor Aguila's fiscal and operational performance. DHS did not ensure that Aguila's monthly invoices were accurate and supported by client sign-in logs and attendance records and that expenditures were appropriate and sufficiently supported. Further, DHS paid Aguila \$10.3 million to provide shelter and social services at six facilities without entering into formal written contracts in violation of the City's procurement rules and failed to ensure that rates paid Aguila for these six facilities were reasonable and appropriate.

Additionally, DHS did not effectively monitor Aguila's operational performance to ensure that Aguila housed clients in safe and sanitary conditions and transitioned its clients to permanent housing in a timely manner.

The results of the audit have been discussed with DHS and Aguila officials, and their comments have been considered in preparing this report. Their complete written responses are attached to this report.

If you should have any questions concerning this report, please email my audit bureau at audit@comptroller.nyc.gov.

Sincerely,

A handwritten signature in black ink, appearing to read "John C. Liu".

John C. Liu

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*The City of New York
Office of the Comptroller
Financial Audit*

**Audit Report on the Department of Homeless Services'
Controls Over Billing and Payments Made to Aguila, Inc.**

FK10-130A

AUDIT REPORT IN BRIEF

The New York City Department of Homeless Services (DHS) is responsible for providing temporary emergency shelter and social services to eligible homeless families. These services are primarily delivered by approximately 150 for-profit and non-profit providers. Aguila Incorporated (Aguila) is a non-profit provider that serves homeless families at 16 different facilities in the Bronx and Manhattan. Under Chapter 24-A, §612 (5) of the New York City Charter, DHS is required to establish performance criteria, goals, and objectives for providers and monitor and evaluate provider performance. In Fiscal Year 2010, DHS paid Aguila approximately \$27.3 million for services it provided directly (\$26.3 million) and indirectly as a sub-contractor (\$1 million). Aguila provided services under both formal written contracts and unwritten or handshake agreements with DHS.

Audit Findings and Conclusions

DHS did not adequately monitor Aguila's fiscal and operational performance. Specifically, DHS did not ensure that Aguila monthly invoices were accurate and supported by client sign-in logs and attendance records. Consequently, for June 2010, we found that DHS paid Aguila for 4,494 unsupported care days costing \$470,897. Further, DHS did not adequately review Aguila contracted facility expenditures and did not conduct any reviews of Aguila non-contracted facility expenditures. Therefore, payment rates were not reasonable. Our review of Aguila financial records for two of 16 facilities with expenditures totaling \$15.3 million, found a total of \$913,949 in expenditures were for improper purposes, and a total of \$9.1 million was insufficiently supported. As a result, DHS should recoup \$1.4 million for unsupported care day payments (\$470,897) and funds used to make improper expenditures (\$913,949). DHS should also immediately investigate expenditures totaling \$9.1 million that were insufficiently supported and recoup funds accordingly.

Furthermore, our review found that DHS did not adequately review agreements and other expense supporting documentation to ensure that \$19.5 million in rent and security service payments were appropriate. In addition, DHS paid Aguila \$10.3 million to provide shelter and social services at six facilities without entering formal written contracts in violation of the City's

Procurement Policy Board (PPB) rules and failed to ensure that rates paid Aguila for these six facilities were reasonable and appropriate.

Additionally, DHS did not effectively monitor Aguila's operational performance to ensure that Aguila housed clients in safe and sanitary conditions and transitioned its clients to permanent housing in a timely manner.

Audit Recommendations

To address these issues, we make 19 recommendations, including that DHS should:

- Investigate unsupported client-lodging days identified in this report and recoup payments as appropriate.
- Recoup \$913,949 from Aguila related to improper expenditures.
- Investigate insufficiently supported expenditures totaling \$9.1 million and recoup funds accordingly.
- Review and approve Aguila sub-contracts for the performance of its obligations.
- Enter into written contracts with Aguila for directly operated facilities that at minimum specify or restrict how funds may be expended, delineate services to be provided, establish minimum performance standards, and detail remedies or termination clauses for failure to meet standards.
- Establish non-contracted facility per diem rates based upon audited line-item operating budgets.
- Routinely check whether facilities have open violations and ensure that providers rectify open violations in a timely manner.
- Require Aguila to develop improvement plans for facilities that do not meet housing placement targets.

DHS and Aguila Responses

DHS generally disagreed with the report's findings and recommendations. Nevertheless, DHS stated that it would strengthen its monitoring of Aguila's fiscal and programmatic performance. However, DHS will not review non-contracted facility expenditures.

Aguila generally disagreed with the audit findings regarding unsupported care days, improper and unsupported payments, and placement of clients into permanent housing.

Specifically, Aguila asserted that it provided us records to support questioned care days and expenses, and that it was only partially responsible for client placement. However, Aguila did not provide us such supporting documentation.

INTRODUCTION

Background

DHS is responsible for providing temporary emergency shelter and social services to eligible homeless families. These services are primarily delivered by approximately 150 for-profit and non-profit providers. Aguila is a non-profit provider that serves homeless families at 16 different facilities in the Bronx and Manhattan. Under Chapter 24-A, §612 (5) of the New York City Charter, DHS is required to establish performance criteria, goals, and objectives for providers and monitor and evaluate provider performance. In Fiscal Year 2010, DHS paid Aguila approximately \$27.3 million for services it provided directly and indirectly as a sub-contractor. Aguila provided services under both formal written contracts and unwritten or handshake agreements with DHS. For the contracted facilities, DHS paid Aguila \$16.0 million using per diem rates based on Aguila-reported operating expenses and for non-contracted facilities, DHS paid Aguila \$10.3 million based upon mutually agreed-upon per diem rates and Aguila-reported client lodging data. With regard to facilities where Aguila indirectly provided services, Aguila received \$965,313 to provide social services.

Objectives

The objectives of this audit were to determine whether:

- Payments and payment rates were reasonable, appropriate, and adequately supported;
- Aguila satisfactorily provided shelter and social services for which it was paid; and
- DHS adequately monitored Aguila to ensure that it satisfactorily provided shelter and social services for which it was paid.

Scope and Methodology Statement

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives. This audit was conducted in accordance with the audit responsibilities of the City Comptroller as set forth in Chapter 5, §93, of the New York City Charter.

This audit covered the period July 1, 2008 through June 30, 2010. Please refer to the Detailed Scope and Methodology at the end of this report for the specific procedures and tests that were conducted.

Discussion of Audit Results

The matters covered in this report were discussed with DHS and Aguila officials during and at the conclusion of this audit. A preliminary draft report was sent to DHS and Aguila officials and discussed at an exit conference held on August 10, 2011. On August 19, 2011, we submitted a draft report to DHS and Aguila officials with a request for comments. We received written responses from DHS and Aguila on September 12, 2011. DHS generally disagreed with the report's findings and recommendations. Nevertheless, DHS stated that it would strengthen its monitoring of Aguila's fiscal and programmatic performance. However, DHS will not review non-contracted facility expenditures. Given that the report identified significant improper and questionable expenditures and that DHS paid Aguila \$10.3 million to provide services at non-contracted facilities, we believe that DHS should monitor all facility expenditures regardless of contract status.

Aguila generally disagreed with the audit findings regarding unsupported care days, improper and unsupported payments, and placement of clients into permanent housing. Specifically, Aguila asserted that it provided us records to support questioned care days and expenses, and that it was only partially responsible for client placement. However, Aguila did not provide us such supporting documentation. Additionally, Aguila bears sole responsibility for placing contracted facility clients in permanent housing. And for the period we reviewed, Aguila bears primary responsibility for placing non-contracted facility clients in permanent housing.

Specific DHS and Aguila comments and our rebuttals are contained in the relevant sections of this report. The full text of the responses received from DHS and Aguila are included as addenda to this report.

FINDINGS AND RECOMMENDATIONS

DHS did not adequately monitor Aguila's fiscal and operational performance. Specifically, DHS did not ensure that Aguila monthly invoices were accurate and supported by client sign-in logs and attendance records. Consequently, for June 2010, we found that DHS paid Aguila for 4,494 unsupported care days costing \$470,897. Further, DHS did not adequately review Aguila contracted facility expenditures and did not conduct any reviews of Aguila non-contracted facility expenditures. Therefore, payment rates were not reasonable. Our review of Aguila financial records for two of 16 facilities with expenditures totaling \$15.3 million, found a total of \$913,949 in expenditures were for improper purposes, and a total of \$9.1 million was insufficiently supported. As a result, DHS should recoup \$1.4 million for these unsupported payments (\$470,897) and funds used to make improper expenditures (\$913,949). DHS should also immediately investigate expenditures totaling \$9.1 million that were insufficiently supported and recoup funds accordingly.

Furthermore, our review found that DHS paid Aguila \$10.3 million to provide shelter and social services at six facilities without entering formal written contracts in violation of the City's PPB rules and to ensure that rates paid Aguila for these six facilities were reasonable and appropriate. In addition, DHS did not adequately review agreements and other expense supporting documentation to ensure that \$19.5 million in rent and security service payments were appropriate.

Additionally, DHS did not effectively monitor Aguila's operational performance to ensure that Aguila housed clients in safe and sanitary conditions and transitioned its clients to permanent housing in a timely manner. Our review of June 2010 invoices and payments for Aguila social service clients found that 473 of 1,389 Aguila social service clients—more than 34 percent—resided in transitional housing for more than six months. We estimate that DHS paid \$9.1 million to house these 473 clients beyond six months.

These findings are discussed in detail in the following sections of this report.

DHS Improperly Paid Aguila \$470,897 For Unsupported Client-Lodging Days

DHS did not effectively monitor Aguila to ensure the accuracy of Aguila monthly invoices and payments. As noted, DHS pays Aguila based upon per diem rates¹ and Aguila-reported client lodging data. To ensure the accuracy of invoices and payments, DHS Transitional Family Services personnel are required to conduct bi-monthly or bi-annual² unit inspections and reviews of Aguila records. However, DHS did not effectively monitor Aguila because DHS:

¹ For contracted facilities, per diem rates are calculated based on Aguila annual budgeted expenses assuming a 97 percent occupancy rate. DHS does not employ this methodology for non-contracted facilities. Instead, DHS and Aguila agree on per diem rates.

² DHS procedures require bi-monthly inspections for hotels and bi-annual inspections for Tier II and cluster site facilities.

- Did not review records bi-monthly or bi-annually as required. In Fiscal Year 2010, DHS conducted only 15 of 36 required reviews. DHS did not conduct any reviews for the Parkview Hotel and the Bronx Neighborhood Annex. Further, DHS did not ensure that Aguila maintained client sign-in logs or attendance records for 9 of 21 Annex buildings.
- Accepted Aguila unit inspection reports and social service records as evidence of clients' ongoing stay. However, these records represent only a point in time observation and are not sufficient to document clients' ongoing stay.

Our review of Aguila's monthly invoices, daily attendance reports, client daily sign-in logs, and Client Tracking System (CTS) pre-payment registers for June 2010 found that DHS paid Aguila for 4,494 unsupported client-lodging days totaling \$470,897 as follows:

Table I

Summary of Unsupported Care Days

Facility	Care Days Paid	Unsupported Care Days**	Unsupported Payments
Bronx Neighborhood Annex	4,022	2,215	\$222,187
Bronx Neighborhood Cluster	6,119	1,770	200,895
Parkview Hotel	5,438	157	16,276
Julio's House	550	130	12,804
Cauldwell	1,549	104	8,146
Mike's House	433	72	6,449
Mike's House Annex	382	39	3,510
Julio's Family	678	7	630
Total	19,171	4,494	\$470,897

** We cited all instances of two or more consecutive care days that were not supported by client daily sign-in logs or Aguila attendance records.

Recommendations

DHS should:

1. Ensure that it conducts bi-monthly or bi-annual unit inspections and record reviews as required.

DHS Response: "The bi-monthly monitoring tool evaluation of hotels system-wide proved excessive. Thus, since January 2011, DHS has committed to performing monitoring tool evaluations semi-annually for all cluster sites and hotels. In response to Recommendation No. 1, DHS is establishing a plan to ensure that monitoring tool evaluations of all Aguila sites are conducted twice a year."

2. Ensure that Aguila maintains client sign-in logs or attendance records for all facilities.

DHS Response: “DHS agrees with Recommendation No. 2 that the Agency ensure Aguila’s maintenance of client sign-in logs or attendance records for all of its shelter facilities, including at all buildings comprising cluster programs. DHS has implemented a new procedure requiring all providers of cluster site programs, including Aguila, to ensure that their clients in standalone buildings sign daily log sheets and to submit them to DHS on a weekly basis. Going forward, the Agency will also closely monitor Aguila’s compliance with this new procedure. DHS is also working with its cluster providers to develop a sign-in/sign-out process at non-standalone buildings.”

3. Investigate unsupported client-lodging days identified in this report and recoup payments as appropriate.

DHS Response: “DHS disagrees with Recommendation No. 3 that DHS investigate the unsupported client-lodging days identified in the Report on the ground that the finding of unsupported care days is based solely on whether or not a care day was supported by a sign-in log or attendance sheet...the fact that a client’s signature does not appear on a sign-in log or attendance sheet for a particular day does not mean that the family did not reside in the shelter that day.”

Aguila Response: “With respect to your findings, we respectfully disagree. The Comptroller’s summary consists solely of a review of attendance sheets submitted for the various facilities in Aguila, Inc. and as such, limits what is available to arrive at a fair and equitable conclusion. We reviewed and submitted additional documentation...after a thorough review...one could verify that virtually all of the alleged unsupported care days, excluding Bronx Neighborhood Annex, were, in fact, fully supported care days.”

Auditor Comment: Per DHS Hotel Family Program Billing Unit, Procedure No. 00-503

“All families must sign the in/out log to document their residency. If a family fails to document for two (2) or more consecutive days, without providing proper documentation regarding absence from hotel, notification of intent to withhold or recoup payment will be forwarded to the hotel...Families who have ***not left the hotel at all*** on a given day – must sign the in/out log as ‘still in’ prior to curfew.”

In accordance with this procedure, we questioned two or more consecutive unsupported client-lodging days. Whereas DHS reviews only client sign-in/out logs, we conservatively considered these logs as well as Aguila daily attendance records to be the documents of record to support client-lodging days. As these records are taken and recorded by Aguila staff, we do not understand how DHS and Aguila can now contend that these attendance records are not accurate and complete and substitute other records in their place.

Moreover, Aguila did not, as it asserts, provide us additional documentation to support client-lodging days. Aguila merely provided us charts summarizing the types of documents it claims to have. Aguila did not submit this documentation for review. Therefore, we reiterate that DHS should investigate unsupported client-lodging days identified in this report and recoup payments as appropriate.

**DHS Should Recoup \$913,949 in Improper Payments
And Investigate Unsupported Payments of \$9.1 million**

DHS failed to adequately review Aguila's expenditures to ensure that they were accurate, reasonable, appropriate, and adequately supported, as required by the City Charter. Specifically, DHS did not effectively review Aguila contracted facilities' expenditures because it did not examine inventory maintenance procedures, allocation plans, and purchase and payment documents. Further, DHS did not conduct any reviews of Aguila non-contracted facility expenditures. Consequently, our review of Aguila's financial records for two facilities with reported expenditures of approximately \$15.3 million (55 percent of Aguila total reported expenditures of \$27.9 million) found that Aguila's support for a total of \$913,949 in expenditures was either missing or improper as follows:

- \$350,075 for administrative overhead. Aguila did not demonstrate that any such expenses were actually incurred.

Aguila Response: "Aguila, Inc. submits an annual Report of Actual Administrative Overhead Expenses to DHS for its annual closeout review for programs under contract with DHS, which is also reviewed and approved by DHS. This report actually identifies and delineates all administrative overhead expenses actually incurred and paid for the fiscal year. The amount indicated here pertains to the 8.5% in administrative overhead allocated and approved by DHS for the Bronx Neighborhood Cluster Program."

Auditor Comment: Aguila did submit to DHS an annual Report of Actual Administrative Overhead Expenses for the Bronx Neighborhood Cluster Program. However, as noted, these expenses were not supported by payroll records or original bills and invoices. In fact, according to Aguila's financial statements and payroll records, the personnel services expenses claimed on this report were not related to the Bronx Neighborhood Cluster Program. Rather, they were related and fully charged to other Aguila facilities. Additionally, other than personnel services expenses claimed on this report, as part of overhead, are all line-item expenses that were charged as direct expenses.

- \$194,783 for expenses that are not allowable such as out-of-state meals, personal vehicles, and Board of Directors fees.

Aguila Response: "The amount of expenditures related to out-of-state meals referred to in the Comptroller's Audit Report is a small percentage of the \$194,783 indicated. In order to allay the concerns of the Comptroller, and as per DHS' directive, Aguila, Inc. will no longer incur such expenses."

“The ‘personal vehicles’ referred to are in actuality business vehicles used solely for the Bronx Neighborhood Cluster Program. They included two 15-passenger vans and a maintenance vehicle.”

Auditor Comment: Aguila provided us a schedule of vehicles and indicated that a total of three vehicles were related to the Bronx Neighborhood Cluster Program. Aguila expenditures for these three vehicles were supported by leases and payment records. Accordingly, we did not question these expenses. However, Aguila also charged expenses for a fourth vehicle which is the amount that we questioned. As Aguila’s response and schedule of vehicles indicate that three and not four vehicles were related to the Bronx Neighborhood Cluster Program, we reiterate that this expense is not allowable.

Aguila Response: “Our practice has been to reimburse board members, out of non-contracted funds, for travel and meals in attending board meetings. In addition we have paid members to review and analyze various reports to further develop a future business scenario for Aguila, Inc. However, as per DHS’ directive we will no longer reimburse members for that purpose.”

- \$156,415 for legal fees that were not supported by contracts or invoices. Since reported actual expenses exceeded budgeted expenses by 1,574 percent, DHS should not have paid these expenses without proper justification and support.

DHS Response: “Legal fees of \$156,415 cited in the Draft Report as requiring justification and support was previously submitted as a new need request to DHS but was not approved.”

Aguila Response: “Aguila, Inc. submitted a New Needs Request to DHS for an increase in legal fees, based on the amount of time dedicated to litigation, subpoena requests, filing of incidents, research, DHS legal requests and cooperation in preparing for various court appearances, and negotiating and preparing documents including leases, among other matters, for the Bronx Neighborhood Cluster Program. DHS never reimbursed Aguila, Inc. for these fees, thus Aguila, Inc. never actually paid these fees to its legal counsel. The expense was listed in Aguila, Inc.’s financial records under ‘accounts payable.’ As this amount was never paid to Aguila, Inc.’s attorneys, it was not an ‘improper payment,’ as indicated in the Comptroller’s Audit Report.”

Auditor Comment: The DHS FY2010 Closeout Annual Expenditure Report, FY 10 Rate-Based Close-Out Statement, and Financial Management System payments clearly show that DHS did in fact approve and reimburse Aguila for legal fees totaling \$156,415. Since these expenses were not supported by contracts or invoices and Aguila now maintains that these legal expenses were “never actually paid,” DHS should immediately recoup \$156,415 from Aguila.

- \$122,115 for loan interest expense. Aguila maintained that this loan was used for start-up costs. However, Aguila did not provide documentation evidencing how funds were used. Further, \$97,201 of these expenses was not incurred during Fiscal Year 2010.

Aguila Response: “Aguila, Inc. received a start-up loan from New York National Bank at the onset of the Bronx Neighborhood Cluster Program. As per the contract, DHS agreed to reimburse Aguila, Inc. for repayment of the loan. In its financial records, Aguila, Inc. recorded the principal and interest payments as one entry, under ‘loan payable.’ Upon advice from independent auditors, commissioned by DHS, in March 2010 the journal entry was changed prospectively to reflect the interest expense apart from the principal expense of the loan. This was done merely as an adjusting entry to reclassify the loan payable, as per the auditors.”

Auditor Comment: Again, Aguila did not provide documentation evidencing that loan funds were expended on the Bronx Neighborhood Cluster Program. Consequently, it is improper for Aguila to charge interest associated with this loan. Additionally, as noted, \$97,201 of these expenses was not incurred during Fiscal Year 2010.

- \$90,561 for utility charges that were the responsibility of the landlord.

Aguila Response: “The utility charges addressed here are not the responsibility of the landlord. As per the Bronx Neighborhood Cluster contract with DHS, Aguila, Inc. pays for electric, gas and water/sewer charges for this program. Aguila, Inc. pays the electric and gas charges directly to the utility company. Water/sewer charges are paid by the landlord and reimbursed to him by Aguila, Inc. on a pro-rated basis, based on the number of units that our clients occupy within the facilities.”

Auditor Comment: Aguila did not, as it asserts, pay pro-rated charges based on the number of units that clients occupy. Most notably, although Aguila clients did not occupy *any* units in two buildings from September 1, 2009 through June 30, 2010, Aguila paid all water and sewer charges for these buildings.

Further, an additional \$9.1 million was insufficiently supported as follows:

- \$8.8 million for rental expenses that were not supported by leases or adequate monthly invoices. Further, DHS did not review and approve leases or conduct market rate or ownership cost analyses. Consequently, we are not assured that rental expenses were accurately reported and reasonable.

DHS Response: “On June 30, 2011, the lease between Aguila and the landlord of the buildings comprising the Bronx Cluster expired. Thereafter, the Provider and the landlord engaged in negotiations of a written agreement to renew the lease for an additional one-year term and for the same rental amount as existed under the previous lease. These negotiations were just completed and a fully executed lease amendment agreement is now in place.”

Aguila Response: “All rental expenses were accurately reported and are reasonable. Aguila, Inc. has renewed and executed a new lease for the Bronx Neighborhood Cluster Program and is currently in the process of reviewing a lease for the Parkview Hotel.”

Auditor Comment: We are pleased that Aguila entered leases or negotiations, and that DHS has reviewed executed leases for the Bronx Neighborhood Cluster and Parkview Hotel. However, we reiterate that Aguila should maintain valid, written lease agreements for all facilities regardless of contract status.

- \$123,876 for goods and services that were not related to charged facilities. These goods and services were delivered to other Aguila facilities and should be charged accordingly.
- \$82,955 for goods that were not supported by invoices detailing delivery location. Therefore, we cannot be assured that goods were used at Aguila facilities.

Aguila Response: “Aguila, Inc. is working on implementing a new inventory/maintenance control process that facilitates an easier tracking system for goods purchased for all programs.”

- \$72,357 for depreciation charges for vehicles, furniture and fixtures, equipment, and building improvements. These charges were not supported by original bills and invoices showing original cost and depreciation schedules. Since Aguila also charged vehicles, furniture and fixtures, and equipment expenses when incurred, we question whether these are duplicate charges.

Aguila Response: “The depreciation charges for fixed assets, we feel, are correct and supported by original bills and invoices.

“However, this raises the question of how we treat and monitor fixed assets. We will develop and implement an inventory and fixed asset tracking system, subject to board approval and oversight. This will have the combined effect of monitoring goods and services not charged to facilities (bullet #7), goods and services not supported by invoices detailing delivery location (bullet #8), and depreciation for vehicles, furniture and fixtures (bullet #9).”

Auditor Comment: Again, Aguila did not provide us with documentation including original bills and invoices evidencing original costs and depreciation schedules demonstrating that these costs were related to the program.

Recommendations:

DHS should:

4. Recoup \$913,949 from Aguila related to improper expenditures.

5. Investigate insufficiently supported expenditures totaling \$9.1 million and recoup funds accordingly.

DHS Response: “As part of the Agency’s regular audit protocol, DHS has scheduled a CPA audit of Aguila’s FY 10 expenditures under the Bronx Cluster and Parkview contracts. Given the auditors’ concerns and in response to Recommendation Nos. 4, 5 and 6 that the Agency conduct periodic review of Aguila’s expenditures, DHS will also instruct the CPA firm conducting the Bronx Cluster audit to follow up on the Draft Report’s findings concerning the Cluster’s expenditures.”

Auditor Comment: For the reasons detailed above, we reiterate that DHS should recoup \$913,949 from Aguila related to improper expenditures.

We are pleased that DHS will investigate Bronx Neighborhood Cluster insufficiently supported expenditures totaling nearly \$4.5 million. However, with regard to the Bronx Neighborhood Annex, we reiterate that DHS should investigate insufficiently supported expenditures totaling more than \$4.6 million and recoup funds accordingly. Again, DHS should monitor all facility expenditures regardless of contract status.

6. Periodically review Aguila financial records, including but not limited to inventory procedures and lists, allocation plans, contracts, and invoices, to ensure that reported expenditures are accurate, reasonable, appropriate, and adequately supported.

DHS Response: With regard to the Bronx Neighborhood Cluster DHS stated “Pursuant to the close-out process, the Agency compared Aguila’s close-out expenditures to its approved fiscal year 2010 budget...”

“In addition to the close-out process, DHS utilizes several other tools to ensure that contract providers’ use of City funds is appropriately expended. DHS retains contracts with six independent accounting firms (‘CPA firms’) to conduct audits of one-third of the Agency’s human services contracts every year. In the event issues arise concerning a provider in a year not subject to automatic audit, DHS’ internal auditors or one of the Agency’s CPA firms will conduct a special audit of the provider’s operations that are of concern. Moreover, DHS’ Audit Services also conduct ‘expenditure reviews’ each year. The auditors randomly select a provider and examine documentation concerning all expenditures incurred by the provider during a randomly selected month within the past two years...”

“Internal and CPA audits, special audits as necessary, and expenditure reviews, coupled with the fiscal year end close-out process for line-item budgeted contracts provide more than adequate monitoring and assurance with respect to shelter providers’ activities and use of City funds.”

Auditor Comment: We acknowledge the value of these reviews. However, when conducting them, we reiterate that DHS should review Aguila financial records, including but not limited to inventory procedures and lists, allocation plans, contracts, and invoices.

DHS Response: With regard to the Bronx Neighborhood Cluster DHS stated “Pursuant to a per diem arrangement with Aguila concerning the Annex Cluster, DHS pays Aguila an agreed-upon per diem rate per family based on shelter occupancy. Since the payment mechanism is not based on a line-item budget, DHS does not conduct a close out in connection with Aguila’s expenditures concerning the Annex.”

Auditor Comment: Given that the report identified significant improper and questionable expenditures and that DHS paid Aguila \$10.3 million to provide services at non-contracted facilities, we believe that DHS should monitor all facility expenditures regardless of contract status.

DHS Failed to Contract with Aguila for Shelter and Social Services Costing \$10.3 Million

For six of eight directly operated facilities, DHS failed to contract with Aguila for provision of shelter and social services costing \$10.3 million in Fiscal Year 2010. Instead, DHS operated using unwritten agreements in violation of the New York City Charter and PPB rules. DHS maintains that its “*per diem* arrangement with a shelter operator does not constitute a procurement within the meaning of the City Charter, Administrative Code or PPB Rules. Accordingly, DHS is not required to execute or register a contract for the provision of shelter before referring homeless families to facilities operated pursuant to a *per diem* arrangement.” However, Chapter 13 of the City Charter requires that all services paid from the City treasury be procured in accordance with the Charter and PPB rules. The Charter and PPB rules require that all agreements for such services be in writing. Since DHS did not enter into written contracts with Aguila, DHS did not specify or restrict how funds may be expended, delineate services to be provided, establish minimum performance standards, and detail remedies or termination clauses for failure to meet standards. Consequently, DHS did not effectively monitor Aguila and Aguila was not sufficiently held accountable for its fiscal and programmatic performance.

For eight additional facilities, Aguila provided social services to homeless families as a sub-contractor for the Lapes Group. However, as with Aguila, DHS failed to contract with the Lapes Group for provision of shelter and social services. Further, the Lapes Group assigned its social services obligations to Aguila and did so under an unwritten agreement. Again, the Charter and PPB rules require that all agreements for services be in writing. By allowing Aguila to provide social services through a network of unwritten agreements, DHS has further weakened its ability to monitor and hold parties responsible for fiscal and programmatic performance.

Recommendations:

DHS should:

7. Enter into written contracts with Aguila for directly operated facilities that at minimum specify or restrict how funds may be expended, delineate services to be provided, establish minimum performance standards, and detail remedies or termination clauses for failure to meet standards.

DHS Response: “DHS disagrees with Recommendation No. 7 in that it is based on the Draft Report’s finding that DHS’ use of shelter facilities pursuant to per diem arrangements violates the City Charter, Administrative Code and Procurement Policy Board (PPB) Rules. As we have discussed at length in response to previous Comptroller audits and in correspondence with the Comptroller, and as DHS has asserted in a pending lawsuit filed by the Comptroller against the City,⁶ it is the City’s long-standing legal position that DHS’ per diem arrangement with a shelter operator does not constitute a procurement within the meaning of the City Charter, Administrative Code or PPB Rules. Accordingly, DHS is not required to execute or register a contract for the provision of shelter before referring homeless families to facilities operated pursuant to a per diem arrangement.

⁶ See March 25, 2010 Audit Report, Addendum at 3-4 (which, in turn, cites (1) the Law Department’s Legal Opinion, referenced in the City’s October 1, 2003 response to the Comptroller’s Audit Report of DHS controls over payments to hotel and scatter-site housing providers (FM03-123A), to the effect that under the Agency’s per diem arrangements with shelter operators, DHS is not procuring any ‘client services’ or ‘other services’ within the meaning of the PPB Rules); (2) 2003-2009 correspondence between the Comptroller and DHS; and (3) the City’s papers submitted in the pending litigation in *Westchester Square/Zerega Improvement Org., Inc. v. Hess, et al.*, Index No. 260573/09 (Sup. Ct., Bronx Co. 2009, Wright J.).

“While per diem payment arrangements are thus lawful, DHS agrees that, as a matter of policy, the Agency should continue moving toward establishing contracts for its facilities to the extent shelter demand, existing capacity, provider willingness and fiscal constraints allow.”

Auditor Comment: Again, Chapter 13 of the City Charter requires that *all* services paid from the City treasury be procured in accordance with the Charter and PPB rules. As per diem providers are paid with City funds, their services should be procured in accordance with the Charter and PPB rules. PPB rules contain provisions specific to client service providers and delineate contract processes to be followed when procuring such services. Further, PPB rules expressly cite housing and shelter assistance services and homeless assistance as examples of client services, as follows:

Client Services. Programs contracted for by the City of New York on behalf of third-party clients, including programs to provide social services, health or medical services, **housing and shelter assistance services**, legal services, employment assistance services, and vocational, educational, or recreational programs. . . . Examples of client services include, but are not limited to, day care, foster care, mental health treatment, operation of senior centers, home care, employment training, **homeless assistance**, preventive services, health maintenance organizations, youth services, and the like.” (Emphasis added.)

Therefore, we reiterate that DHS should comply with City rules and regulations and enter into written contracts with Aguila. We are pleased that DHS agrees that, as a matter of policy, “the Agency should continue moving toward establishing contracts for its facilities.” However, DHS should contract more expeditiously as Aguila has been serving clients at its non-contracted sites for as long as 11 years.

8. Ensure that sub-contracted services are covered by written contracts that at minimum specify or restrict how funds may be expended, delineate services to be provided, establish minimum performance standards.

DHS Response: “DHS agrees with Recommendation No. 8 to the extent that the Agency will ensure that Aguila complies with the subcontracting provisions of its contracts to operate the Bronx Cluster and the Parkview Hotel.”

Auditor Comment: Again, the Charter and PPB rules require that all agreements for services be in writing. By allowing Aguila to provide social services through a network of unwritten agreements, DHS has further weakened its ability to monitor and hold parties responsible for fiscal and programmatic performance. Therefore, we reiterate that DHS should ensure that *all* sub-contracted services are covered by written agreements.

DHS Failed to Ensure that Non-Contracted Payment Rates Were Reasonable, Appropriate, and Adequately Supported

DHS failed to ensure that non-contracted facility payment rates were reasonable, appropriate, and adequately supported. As noted, DHS pays Aguila based upon mutually agreed-upon per diem rates and Aguila-reported client lodging data. These rates range from \$78.33 to \$100.31 per family per day. Although DHS calculates contracted facility per diem rates based upon line-item operating expense budgets, DHS does not apply this methodology to non-contracted facilities. We asked DHS officials to explain and document how non-contracted per diem rates were calculated. However, DHS could not provide us this information. Since DHS did not calculate non-contracted rates based upon expenses, DHS paid Aguila inflated rates for services. For Fiscal Year 2010, DHS paid Aguila a mutually agreed upon per diem rate of \$100.31 for the Bronx Neighborhood Annex. However, Aguila’s reported expenses support a rate of only \$81.47. Had DHS employed this rate, it would have yielded a cost savings of \$1.2 million for Fiscal Year 2010.

Recommendation:

DHS should:

9. Establish non-contracted facility per diem rates based upon audited line-item operating budgets.

DHS Response: “DHS disagrees with Recommendation No. 9 in that it is based on the Draft Report’s finding that the Agency ‘failed to ensure that non-contracted payment

rates were reasonable, appropriate and adequately supported.’ The Draft Report bases this finding solely on the fact that the per diem rate for the Annex Cluster would have been lower had the rate been based on expenses established pursuant to a line-item budget. As explained above, payments made to non-contracted providers pursuant to per diem arrangements are not governed by line-item budgets. Moreover, the Draft Report did not find fault with the per diem rate of the other non-contracted Aguila sites. As is the case here, it is inevitable that, depending on the particular landlord, the location of the shelter site, and the economic factors at play at any given point in time, per diem rates are bound to vary with some below the average and some above. That the Annex Cluster per diem rate fell within the high end of the range is hardly a basis for concluding that DHS failed to ensure that non-contracted payment rates were reasonable, appropriate and adequately supported.”

Auditor Comment: Given the current economic climate, we cannot understand how DHS can reject cost savings achieved by calculating per diem rates based on line-item operating expense budgets. Again, by doing so, we identified annual cost savings of \$1.2 million for a single facility. Additionally, contrary to DHS’ assertion, DHS paid Aguila inflated rates for other non-contracted facilities. We cited the Annex cluster as an example, albeit the most dramatic one. By calculating non-contracted facility rates based on operating expenses, DHS can more efficiently use public funds and ensure that providers—the majority of which are not-for-profits—are paid only amounts necessary to operate the facility.

DHS Failed to Review and Approve Aguila Facility Leases and Security Contracts

DHS failed to review and approve Aguila leases and security contracts. For Fiscal Year 2010, Aguila reported lease and security expenditures of \$17.2 million and \$2.3 million respectively. Under the terms of its written contracts, DHS stipulated that Aguila:

“Not to enter into any sub-contracts for the performance of its obligations, in whole or in part, under this Agreement without the prior written approval of the Department....All such sub-contracts shall contain provisions specifying: that the work performed by the sub-contractor must be in accordance with the terms of the Agreement between the Department and the Contractor.”

However, DHS did not ensure that Aguila obtained such approval. Consequently, Aguila did not have valid, written lease agreements for shelter at five facilities costing \$15.6 million and a contract for security services at one facility costing \$628,765. Further, when Aguila did enter written agreements, they did not: sufficiently detail services to be provided, establish minimum performance standards, and specify that services must be performed in accordance with DHS contract terms including that facilities be maintained “in a good state of repair and sanitation and in conformance with applicable State and City law, regulations and directions.”

Additionally, DHS failed to investigate Aguila sub-contractors in accordance with the New York City Administrative Code Title 6, Chapter 1. The Code requires DHS to obtain VENDEX questionnaires for vendors, including sub-contractors, whose aggregate annual contract values exceed \$100,000. The questionnaires provide information about vendors' principals, ownership, affiliations, and involvement in government investigations, and enable agencies to make responsibility determinations. Pursuant to PPB Rules and the Charter, the City may award contracts only to responsible vendors. A responsible vendor must have the capability to fully perform contract requirements and the business integrity to justify the award of public tax dollars. Since DHS did not review and approve Aguila sub-contracts and vet Aguila sub-contractors, Aguila contracted with landlords that did not provide safe and sanitary shelter to homeless families. Facilities were repeatedly cited for code violations, and these landlords failed to rectify these conditions and pay the City for these code violations (as reported below). Additionally, DHS cannot be assured that Aguila sub-contracts do not violate Conflict of Interest terms and regulations.

Recommendations:

DHS should:

10. Review and approve Aguila sub-contracts for the performance of its obligations.
11. Ensure that Aguila sub-contracts contain provisions specifying that work performed by sub-contractors must be in accordance with the terms of master contracts between DHS and Aguila.
12. Obtain VENDEX questionnaires for vendors, including sub-contractors, whose aggregate annual contract values exceed \$100,000.

DHS Response: “DHS agrees with these recommendations with respect to sub-contracts Aguila enters into for performance of its obligations under its contract with DHS to operate the Bronx Cluster and its contract with the Agency to operate the Parkview shelter...”

“DHS does not agree with these recommendations with respect to non-contracted sites and, in that regard, reiterated its response to Recommendation No. 7, above.”

Auditor Comment: Given the report's findings, we are very concerned that DHS is refusing to review and approve sub-contracts and vet sub-contracted vendors for non-contracted facilities. DHS is obligated to monitor Aguila's fiscal performance and ensure that funds—whether received under formal written contracts or unwritten agreements—are used only to support program operations, and that expenditures are reasonable, appropriate, and adequately supported. Therefore, we urge DHS to reconsider these recommendations with respect to non-contracted sites.

DHS Did Not Effectively Monitor Aguila’s Operational Performance

DHS did not effectively monitor Aguila’s operational performance to ensure that Aguila housed clients in safe and sanitary conditions and transitioned its clients to permanent housing in a timely manner. Under Chapter 24-A, §612 (5) of the New York City Charter, DHS is required to establish performance criteria, goals, and objectives for providers and monitor and evaluate provider performance. Although DHS established objectives regarding shelter conditions and length of shelter stay, it did not adequately monitor and properly evaluate Aguila to ensure that it met objectives as follows:

DHS Did Not Adequately Monitor Aguila to Ensure It Housed Clients in Safe and Sanitary Conditions

DHS did not adequately monitor Aguila to ensure that it housed clients in safe and sanitary conditions. Maintaining shelter safety and sanitation is one of DHS’ critical objectives. DHS instituted numerous procedures to ensure that providers meet this objective. DHS Facilities and Maintenance Division (FMD) and Transitional Family Services personnel are responsible for inspecting, reporting, and following up on unit and facility safety and sanitary conditions, regulatory compliance, and corrective action. However, DHS did not effectively monitor Aguila because DHS inspection reports certifying that units were suitable for placement appeared photocopied and routine inspection report ratings did not accurately reflect the conditions noted. Additionally, DHS personnel did not: inspect facilities as frequently as required; inspect a sufficient number of units; identify and follow up on hazardous and unsanitary conditions; and monitor building and fire code compliance. As a result, Aguila housed homeless families in hazardous and unsanitary conditions. As of June 2011, Aguila facilities had 2,250 open Housing Preservation and Development (HPD), Environmental Control Board (ECB), and Department of Buildings (DOB) violations—1,729 of which were for hazardous conditions. These violations were issued as long ago as 1972 and remain unresolved. Most notably, Aguila facilities were issued violations for:

- Exterior wall defects and rotted, defective, and sagging flooring which created a danger of collapse and compromised buildings’ structural integrity;
- Boilers that were missing a safety valve or discharge pipe, leaking, and shut down due to a heavy, hazardous smoke condition;
- Lack of required sprinkler system and insufficient water supply for sprinkler system; and
- Illegal construction in and conversion of apartments.

Recommendations:

DHS should:

13. Ensure that facilities are inspected in accordance with DHS procedures.

14. Ensure that identified conditions are properly reported and followed up on in a timely manner.

DHS Response: “DHS takes very seriously the Draft Report’s finding that cluster unit inspection reports appeared photocopied. In response, DHS has commenced an investigation of this finding. In addition, the Agency has formed a special unit... comprised of inspectors from a different Agency division than the employees who had been conducting cluster inspections. The new unit will re-inspect every cluster unit in the Bronx Cluster and the Annex Cluster. In addition, the Agency is developing a staffing plan for conducting physical inspections of cluster units comprising the cluster programs of all cluster providers, including Aguila, which will be implemented in the fall. DHS will also be working toward implementing software that will allow the Agency to identify inspection patterns requiring further analysis. Finally, it should be noted that the cluster units that were the subject of inspection reports called into question in the Draft Report were also inspected by the Family Services Division on a quarterly basis throughout CY 2010.

“While DHS does not have any reason to believe that the RSRI inspection reports concerning Aguila sites do not accurately reflect the conditions noted, in an exercise of caution, the special unit will review these reports to ensure that the rating assigned to reflect the overall condition of the facility is consistent with the physical conditions noted in the report.

“As noted in response to Recommendation No. 1, above, DHS is currently finalizing a plan to ensure bi-annual monitoring tool evaluations of Aguila sites.”

Auditor Comment: We are pleased that DHS has taken measures to improve cluster housing inspections. However, we urge DHS to apply these measures to all facility types, not just cluster housing.

15. Routinely check whether facilities have open violations and ensure that providers rectify open violations in a timely manner.

DHS Response: “The Agency also is requiring Aguila to develop a corrective action plan to address all outstanding building violations in a timely manner.”

Auditor Comment: We are pleased that DHS is requiring Aguila to develop a corrective action plan to address all outstanding building violations. However, we reiterate that as a matter of policy DHS should also routinely check whether all facilities have open violations and ensure that providers rectify open violations in a timely manner.

16. Cease placing clients in facilities with hazardous and unsanitary conditions.

DHS Response: “Contrary to the premise underlying Recommendation No. 16, DHS places clients only in facilities that are safe, decent and clean.”

Auditor Comment: DHS has in fact placed clients in facilities with hazardous and unsanitary conditions. As reported, Aguila facilities had 2,250 open HPD, ECB, and DOB violations—1,729 of which were for hazardous conditions. As noted, these included conditions that compromised buildings’ structural integrity and fire safety. Aguila facilities were also cited for unsanitary conditions including roaches, mice, and rats in apartments and excessive debris and garbage in building common areas.

DHS Did Not Adequately Monitor Aguila to Ensure It Transitioned Clients to Permanent Housing in a Timely Manner

DHS did not adequately monitor Aguila to ensure that it transitioned clients to permanent housing in a timely manner. DHS contracts stipulate that:

“The maximum length of stay for residents shall not exceed six (6) months....The Contractor’s ability to place a family in permanent housing within the six (6) month period may be a factor in evaluating the Contractor’s performance.”

Reducing clients’ length of shelter stay and increasing placements into permanent housing are critical DHS objectives. DHS instituted numerous procedures to ensure that providers meet these objectives. DHS Transitional Family Services personnel are responsible for conducting facility program reviews and reporting and following up on social service program deficiencies. However, DHS did not effectively monitor Aguila because DHS personnel did not: conduct facility program reviews as frequently as required; review a sufficient number of client case files to determine whether Aguila was developing and reviewing Exit Strategies and Independent Living Plans and helping clients attain permanent housing within specified timeframes; follow up on identified social service deficiencies; ensure that housing placement targets were met; require Aguila to develop improvement plans for facilities that did not meet housing placement targets; and ensure that staff were properly qualified and that adequate staffing levels were maintained. As a result, Aguila did not transition clients to permanent housing in a timely manner. We reviewed June 2010 invoices and pre-payment registers for Aguila social service clients and found that 473 of 1,389 Aguila social service clients—more than 34 percent—resided in transitional housing for more than six months. We estimate that DHS paid \$9.1 million to house these 473 clients beyond six months.

Recommendations:

DHS should:

17. Ensure that facility program reviews are conducted in accordance with DHS procedures.

DHS Response: DHS did not address this recommendation. Instead, DHS stated “With respect to Recommendation No. 17, the Draft Report points to a provision in Aguila’s shelter contracts stating that the maximum length of stay for residents shall not exceed six months and that the Provider’s ability to place a family in permanent housing within this time frame ‘may be a factor in evaluating the Contractor’s performance.’ This finding is based upon the number of Aguila’s clients who, as of June 2010, had resided in shelter for more than 6 months. However, as we advised the auditors in writing after the exit conference, consistent with the contract provision, DHS set targets for Aguila to move families out of shelter as expeditiously as possible and imposed financial penalties on Aguila when it failed to do so. Also, as noted above, DHS is completing a plan to heighten its monitoring of the Provider’s progress toward addressing programmatic deficiencies.”

Auditor Comment: We reiterate that DHS should ensure that facility program reviews are conducted in accordance with DHS procedures. Specifically, DHS should conduct facility program reviews as frequently as required; review a sufficient number of client case files to determine whether Aguila was developing and reviewing Exit Strategies and Independent Living Plans and helping clients attain permanent housing within specified timeframes; follow up on identified social service deficiencies; ensure that housing placement targets were met; require Aguila to develop improvement plans for facilities that did not meet housing placement targets; and ensure that staff were properly qualified and that adequate staffing levels were maintained.

18. Ensure that identified social service deficiencies are followed up on in a timely manner.
19. Require Aguila to develop improvement plans for facilities that do not meet housing placement targets.

DHS Response: “Recommendations Nos. 18 and 19 are based on the Draft Report’s findings that the Agency did not conduct monitoring tool evaluations as frequently as required or conduct sufficient follow up of program deficiencies identified in the evaluations. As we advised the auditors in writing following the exit conference at which these recommendations were discussed, DHS Family Services staff works with all of its shelter providers, including Aguila, on an ongoing basis throughout the year to ensure that maximum efforts are made to return shelter clients to the community as expeditiously as possible. By means of e-mail, telephone and in-person communication between Aguila staff and Family Services staff, DHS follows up on shelters’ responses to Monitoring Tool evaluations and physical site inspections. Through these various forms of communication, the Agency provides technical assistance to Aguila sites on a host of issues, including areas identified in Monitoring Tools, physical inspections and other procedures that DHS has instituted to track and improve Aguila’s delivery of service to shelter clients.

“In addition, as we explained at the audit exit conference and in writing thereafter, Family Services staff and Aguila staff are in constant communication (via e-mail,

telephone and in-person meetings) about individual shelter clients to resolve issues that impede these clients' exit from shelter ... Thus, the lack of a Monitoring Tool for a particular two-month period or the lack of a corrective action plan in response to a particular Monitoring Tool does not indicate that DHS failed to effectively monitor a particular Aguila site or that a particular Auila shelter failed to take corrective action in response to an evaluation. Given the auditors' concerns and as noted in response to Recommendation Nos. 4-6 above, DHS is establishing a plan to further heighten its monitoring of the Providers' progress toward addressing programmatic deficiencies."

Auditor Comment: We are pleased that DHS plans to further heighten its monitoring of providers' progress toward addressing programmatic deficiencies. However, DHS should ensure that it documents deficiencies as well as plans and progress toward resolving those deficiencies.

Aguila Response: "Aguila, Inc. endeavors to transition clients in to permanent housing in the time frame allotted by DHS. However, from March 2010 to June 2011, DHS utilized the services of third party housing organizations through the Home Base Program, to transition clients to permanent housing from all of our non-contracted sites, including the Bronx Neighborhood Annex, as well as to other providers.

"As a result, Aguila, Inc. was only partially responsible for such move-outs during the period covered by this Audit for the aforementioned programs. To the extent that issues were raised toward transitioning clients to permanent housing during the month of June 2010 (audited by the Comptroller), they are more properly addressed to those third party vendors as opposed to Aguila, Inc."

Auditor Comment: We are dismayed that Aguila is not taking responsibility for its performance. Aguila bears sole responsibility for placing contracted facility clients in permanent housing. And for the period we reviewed, Aguila bears primary responsibility for placing non-contracted facility clients in permanent housing. As noted, we reviewed June 2010 invoices and pre-payment registers for Aguila social service clients and found that 473 of 1,389 Aguila social service clients—more than 34 percent—resided in transitional housing for more than six months. These 473 clients entered Aguila facilities between November 9, 2006 and January 1, 2010—well in advance of the Home Base Program introduction in March 2010.

DETAILED SCOPE AND METHODOLOGY

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives. This audit was performed in accordance with the audit responsibilities of the City Comptroller as set forth in Chapter 5, §93, of the New York City Charter.

This audit covered the period July 1, 2008 through June 30, 2010.

To obtain an understanding of the policies, procedures, and regulations governing payments to Aguila, we reviewed the prior Comptroller's *Audit Report on the Compliance of the Department of Homeless Services with City Procurement Rules and Controls Over Payments To Non-Contracted Providers* (FK09-069A) issued on March 25, 2010, as well as the following DHS documents:

- Housing Emergency Referral Operations, "A Procedural Manual for Family Shelter Placements and Vacancy Control,"
- Billing Unit for Family Shelters, "A Procedural Manual for Processing Billing Submissions from Contracted & Non-Contracted Family Shelter Providers in Conjunction with the CTS/Homes Unit and the OIT Unit,"
- Billing Unit (Billing and Imprest Accounting Services/Finance), "Fiscal Billing Policy,"
- Hotel Family Program Billing Unit, Procedure No. 00-503, "Procedure for Verifying Client Occupancy at Hotels," and
- DHS, "Guidelines for Expansion of Capacity Prior to Finalization of the Contract in Order to Meet an Emergency Need."

We also reviewed Title 6 of the New York City Administrative Code, Chapters 13 and 24-A of the New York City Charter, and Procurement Policy Board (PPB) rules. These regulations were used as criteria in evaluating DHS compliance with and controls over its payment and monitoring procedures.

We requested and reviewed all available contracts between DHS and Aguila for the provision of shelter and social services. In addition, we requested sub-contracts between Aguila and the Lapes Group for the arrangement where Aguila provides social services to clients who reside at Lapes Group facilities. To determine whether DHS properly monitored Aguila's fiscal performance, we requested documentation that DHS reviewed and approved Aguila's sub-contracts, inventory maintenance procedures, and allocation plans. Further, we requested and reviewed Monthly Financial Reports, year-end closeouts and supporting documentation for evidence that DHS reviewed Aguila expenses to ensure that they were accurate, reasonable, appropriate, and adequately supported.

We obtained and reviewed Aguila's Fiscal Year 2010 Financial Statements and judgmentally selected the contracted (Bronx Neighborhood Cluster) and non-contracted (Bronx Neighborhood Annex) Aguila facility with the highest reported expenditures for our detailed review of Aguila's expenses. We requested and reviewed Aguila financial records including inventory maintenance procedures, allocation plans, contracts, invoices, and other support documentation to determine whether reported expenditures for these facilities were accurate, reasonable, appropriate, and adequately supported.

In addition, we reviewed Aguila payments made for rent, security, and payroll for all Aguila operated facilities. Specifically, we obtained and reviewed all available leases, security contracts, bills, and invoices to determine whether payments were properly supported and made in accordance with the lease or contract. We reviewed Aguila's payroll reports for Fiscal Year 2010 to ensure that Aguila accurately reported their payroll expense on the financial statements. We judgmentally selected the last pay period in our audit period (pay period ending June 25, 2010) and reviewed timesheets and leave balance reports to ensure that Aguila maintained adequate documentation to support payments made to employees. Further, we compared the payroll registers for all Aguila facilities to ensure that employees were not paid more than their annual salary if they worked for multiple facilities.

To gain an understanding of how DHS established the per diem rates paid to Aguila, we interviewed DHS officials responsible for the establishment of per diem rates for both contracted and non-contracted facilities. We also requested documentation to support the establishment of the contracted and non-contracted per diem rates DHS paid to Aguila.

To determine whether the payments made to Aguila were accurately calculated based on CTS client-lodging data, we obtained and reviewed Aguila's monthly invoices and monthly CTS Pre-Payment Registers for Fiscal Year 2009. We compared the number of client-lodging days indicated on provider invoices to the number of client-lodging days indicated on CTS registers. We also determined whether provider invoices were certified by Aguila officials.

We judgmentally selected the month of June 2010, the last month in our audit period, and tested the accuracy of Aguila monthly invoices and payments. To determine whether clients listed on the monthly invoices for June 2010 were in fact residing in Aguila facilities, we reviewed Aguila supporting documentation, including client sign-in logs, facility attendance sheets, intake forms, and exit reconciliation forms. When we noted discrepancies, we calculated the cost of the unsupported payments. Further, we reviewed Aguila's bank statements to ensure all funds were deposited into the proper bank accounts. We also traced all transfers out of Aguila bank accounts to ensure that funds were not improperly withdrawn.

To determine whether DHS adequately monitored Aguila to ensure that they satisfactorily provided shelter to clients (for the eight sites directly operated by Aguila), we inspected facilities and searched HPD and DOB publicly available web sites for open violations issued by HPD, DOB, and ECB inspectors for unsafe and unsanitary conditions at Aguila facilities. We then quantified the number and severity of open violations and determined whether fines were owed to the City or if there was litigation pending against these facilities. In addition,

we reviewed FMD inspection reports and Transitional Family Services Monitoring Tools to determine whether DHS personnel conducted them in accordance with DHS procedures.

To determine whether DHS adequately monitored Aguila to ensure that they satisfactorily provided social services to clients, we interviewed the DHS staff responsible for administering the DHS Monitoring Tools, requested and reviewed Fiscal Year 2010 Monitoring Tools, and determined whether reviews were conducted in accordance with DHS procedures. Specifically, we determined whether DHS personnel: conducted reviews as frequently as required, targeted an adequate number of clients, identified deficiencies, and documented whether follow up action was taken.

We reviewed Aguila client files to determine whether Aguila developed and reviewed Exit Strategies and Independent Living Plans and helped clients attain permanent housing within specified timeframes. We also determined whether Aguila maintained adequate staffing levels and employed appropriately qualified social service staff. For all Aguila Housing Specialists, Case Managers, Supervisors, Social Service Directors, and Deputy Directors, we compared their educational background and work experience to minimum qualifications required by Aguila job descriptions.

To determine whether DHS adequately monitored Aguila to ensure that they transitioned clients to permanent housing in a timely manner, we reviewed the June 2010 invoices of all 16 sites where Aguila provided social services and determined the number of clients who resided in at these facilities longer than six months, and calculated the cost of housing these clients beyond the six month stay. We also requested the DHS placement target reports for Fiscal Year 2010 and quantified the number of facilities that met annual placement targets.

Aguila Services and Payments for Fiscal Year 2010

Facility	Services	DHS Relationship	Contract Status	Payments Received
Bronx Neighborhood Cluster	Shelter and Social Services	Direct	Contracted	\$8,971,265
Parkview Hotel	Shelter and Social Services	Direct	Contracted	7,011,791
Bronx Neighborhood Annex	Shelter and Social Services	Direct	Non-Contracted	6,383,171
Cauldwell	Shelter and Social Services	Direct	Non-Contracted	1,560,579
Julio's Family	Shelter and Social Services	Direct	Non-Contracted	742,165
Julio's House	Shelter and Social Services	Direct	Non-Contracted	640,274
Mike's House Annex	Shelter and Social Services	Direct	Non-Contracted	506,220
Mike's House	Shelter and Social Services	Direct	Non-Contracted	479,161
Subtotal Direct Payments				\$26,294,626
Ellington	Social Services	Indirect	Non-Contracted	200,056
Frant Hotel	Social Services	Indirect	Non-Contracted	192,000
Washington	Social Services	Indirect	Non-Contracted	145,807
Alan's House	Social Services	Indirect	Non-Contracted	128,761
Apollo Hotel	Social Services	Indirect	Non-Contracted	105,120
Tower	Social Services	Indirect	Non-Contracted	88,092
Gracey Inn	Social Services	Indirect	Non-Contracted	69,639
Ping Family Residence	Social Services	Indirect	Non-Contracted	35,838
Subtotal Indirect Payments				\$965,313
Total				\$27,259,939



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September 12, 2011

VIA E-MAIL AND BY HAND

Ms. H. Tina Kim
Deputy Comptroller for Audit
Office of the Comptroller
1 Centre Street
New York, NY 10007-2341

Re: Response to Audit Report on the Department of Homeless Services' Controls Over Billing and Payments Made to Aguila, Inc. (FK10-130A)

Dear Ms. Kim:

This letter is in response to the Draft Audit Report dated August 19, 2011 ("Draft Report"), concerning the Department of Homeless Services' ("DHS" or the "Agency") controls over billing and payments made to Aguila, Inc. ("Aguila" or "Provider"). In addition, attached to this response is a September 12, 2011 letter from Aguila's Chief Executive Officer, Peter Rivera, to you detailing the Provider's responses to certain of the Draft Report's findings ("Aguila Response").

We begin with a summary of DHS' responses to the Draft Report's major findings and recommendations and thereafter respond in detail to each of the Report's recommendations and the findings on which they are based.

Executive Summary

Finding No. 1

The Draft Report concludes that DHS did not effectively monitor Aguila to ensure the accuracy of the Provider's monthly invoices and payments in that the Agency paid Aguila \$470,897 for 4,494 client lodging days that were not supported by client daily sign-in logs or attendance records.

As detailed below and in the Agency's response to previous Comptroller audits, DHS' billing process for non-contracted shelters

has multiple safeguards and quality control measures to ensure accuracy in billing and payment for residential care days. As part of the Agency's performance monitoring of both contracted and non-contracted providers of shelter for families with children, program staff conducts an audit to verify unit occupancy and ensure that shelter providers are accurately billing DHS for residential care days. In addition to this formal monitoring, program staff also visits shelters for other purposes (e.g., meetings with individual clients and their case workers concerning client-specific issues) and use these occasions to inspect a random selection of units for occupancy.

We also refer the Comptroller to Aguila's response to this finding, which details documentary support, in addition to sign-in logs and attendance sheets, for almost half of the 4,494 care days, which the Draft Report categorizes as unsupported. The remaining care days the Report found unsupported are attributable primarily to clients residing in nine of the 21 buildings comprising the Bronx Neighborhood Annex, cluster site program. As the Report notes, and as DHS acknowledges, sign-in logs and attendance sheets were not maintained at these buildings during the audit period.

We agree with the Comptroller's recommendation that the Agency ensure Aguila's maintenance of client sign-in logs or attendance records for all of its shelter facilities, including at all buildings comprising cluster programs. DHS has implemented a new procedure requiring all providers of cluster site programs, including Aguila, to ensure that their clients residing in standalone buildings sign daily log sheets and to submit them to DHS on a weekly basis. Going forward, the Agency will closely monitor Aguila's compliance with this new procedure. DHS is also working with its cluster providers to develop a sign-in/sign-out process at non-standalone buildings.¹

Finding No. 2

The Draft Report concludes that DHS failed to adequately review Aguila's FY 10 expenditures with respect to two of its sites, the Bronx Neighborhood Cluster ("Bronx Cluster") and the Bronx Neighborhood Annex ("Annex Cluster"), and recommends that DHS recoup \$913,949 in "improper" payments and investigate "unsupported" payments of \$9.1 million.

Aguila operates the Bronx Cluster pursuant to a contract with DHS. As is always done in the case of shelter contracts based on a line-item budget, Aguila was reimbursed under the contract through a monthly billing process and a fiscal year-end close-out process for its covered expenses. Pursuant to the close-out process, DHS ensured that it reimbursed Aguila *only* for expenses allowed under its line-item budget and only for actual care days provided. As described below, the Agency also assigns independent accounting firms to conduct audits of one-third of DHS' provider contracts every year. Consistent with this process, and in response to concerns raised by the auditors, DHS has assigned (1) an independent accounting firm to audit Aguila's FY 10 line-item expenditures under the Bronx Cluster contract, including review of the Draft Report's findings concerning these expenditures, to determine whether any funds should be recouped; and (2) an independent accounting firm to audit the FY 10 line-item expenditures of Aguila's other contracted site, the Parkview.

¹ Non-standalone buildings house shelter clients as well as rent-paying tenants.

Pursuant to a non-contracted, per diem arrangement with Aguila, DHS processes billing submissions from and makes payments to Aguila for the Annex Cluster based upon a care-day reconciliation process, which the Agency has enhanced through implementation of its above-referenced daily log procedure for all cluster site providers.

Finding No. 3

The Draft Report concludes that DHS failed to contract with Aguila for shelter and social services totaling \$10.3 million and, as a result, DHS did not effectively monitor the Provider's fiscal and programmatic performance. As noted above and discussed in greater detail below, DHS has further enhanced its care-day reconciliation process with respect to all of its cluster site providers, including Aguila. Moreover, as the Draft Report acknowledges, DHS has "numerous" procedures in place to ensure that its providers meet their programmatic objectives. Additionally, in response to the auditors' concerns, the Agency is in the process of implementing a plan to further heighten its monitoring of Aguila's programmatic performance as well as DHS' follow-up efforts in ensuring that the Provider addresses identified deficiencies in its performance.

With respect to non-contracted facilities, it is the City's long-standing position that in order to comply with its legal obligations to provide immediate shelter to all homeless families and individuals, it may enter into per diem arrangements with non-contracted shelter providers. Over the years, DHS has conveyed the City's position to the Comptroller in its response to other audits and in correspondence with the Comptroller. While per diem payment arrangements are lawful, DHS agrees that, as a matter of policy, the Agency should continue moving toward establishing contracts for its facilities to the extent shelter demand, existing capacity, provider willingness and fiscal constraints allow. Toward that end, as we advised the auditors in the course of this audit examination, approximately 80 percent of all units for families with children and adult families are either subject to registered contracts or in the process of moving through various stages of the City's procurement process.

Finding No. 4

The Draft Report concludes that DHS did not ensure that payment rates for non-contracted sites were reasonable, appropriate and adequately supported. As discussed below, DHS provided the auditors with documentation and information explaining how payment rates were arrived at and adjusted through the years, which demonstrate that these rates were reasonable and appropriate in all respects.

Finding No. 5

The Draft Report concludes that DHS failed to review and approve Aguila facility leases and security contracts at several facilities. As discussed below, at DHS' direction, Aguila and the landlord of the Bronx Cluster have executed a lease amendment agreement renewing the lease for the buildings comprising the Cluster. Also pursuant to DHS' direction, Aguila is negotiating a lease with the landlord of the Parkview, Aguila's other contracted site. Finally, we have instructed the Provider to provide us with all subcontracts that are subject to DHS' review and approval pursuant to applicable provisions of the Agency's contracts with Aguila to operate the Bronx Cluster and the Parkview.

Finding No. 6

The Draft Report concludes that DHS did not adequately monitor Aguila to ensure that it housed clients in safe and sanitary conditions. While the Report acknowledges that the Agency has instituted “numerous procedures” to ensure that providers meet this objective, the auditors found, *inter alia*, that during the audit period (FY 09 and 10), DHS did not conduct physical inspections as frequently as required under its procedures and did not adequately follow up on Aguila’s response to violations issued by the City’s Department of Buildings (DOB) and Department for Housing Preservation & Development (HPD). DHS has instructed Aguila to provide a detailed and comprehensive corrective action plan including timeframes for remedying open violations for shelter units. In further consideration of the auditors’ concerns, DHS is currently finalizing a plan to ensure that the Agency conducts physical inspections of Aguila’s shelter sites twice a year under its monitoring tool evaluation process.

Finding No. 7

The Draft Report concludes that DHS did not monitor Aguila to ensure that it transitioned clients to permanent housing in a timely manner. The Report points to a provision in Aguila’s shelter contracts stating that the maximum length of stay for residents shall not exceed six months and that the Provider’s ability to place a family in permanent housing within this time frame “may be a factor in evaluating the Contractor’s performance.” This finding is based upon the number of Aguila’s clients who, as of June 2010, had resided in shelter for more than 6 months. However, consistent with the contract provision, DHS set targets for Aguila to move families out of shelter as expeditiously as possible and imposed financial penalties on Aguila when it failed to do so. Also, as noted above, DHS is in the process of implementing a plan to heighten its monitoring of the Provider’s progress toward addressing programmatic deficiencies.

In the remainder of this letter, we detail DHS’ specific responses to the Draft Report’s recommendations.

Recommendation Nos. 1-3 state that DHS should:

1. Ensure that it conducts bi-monthly or bi-annual unit inspections and record reviews as required.
2. Ensure that Aguila maintains client sign-in logs or attendance records for all facilities.
3. Investigate unsupported client lodging days identified in this report and recoup payments as appropriate.

DHS Response

With respect to Recommendation No. 1², while DHS was unable to meet its FY 10 target of conducting six bi-monthly monitoring tools for each Aguila hotel site and semi-annual

² During FY10, the Bronx Cluster (contracted) and Annex Cluster (non-contracted) were targeted to have one programmatic evaluation (known as “monitoring tools”) apiece instead of two as set forth in the auditors’ breakdown supplied to DHS on August 12, 2011. Therefore, the total number of monitoring tools targeted for Fiscal Year 2010 was 34 rather than 36 as stated in the Draft Report.

monitoring tools for each cluster site, the Agency did complete two to four bi-monthly evaluations for five of the six Aguila hotels and an annual monitoring tool of the Bronx Cluster.³ In addition to the monitoring tool evaluations, which include a physical inspection, the Agency's Facility, Maintenance and Development Division (FMD) conduct bi-annual routine site review inspections ("RSRI") of all hotels, including Aguila's hotel facilities. Moreover, shelter staff at each contracted and non-contracted facility, including hotels and each building within a particular cluster site program, is also required to conduct bi-weekly health and safety inspections of each family unit and weekly inspections of all units occupied by families who have an open ACS case, a child under six months or are long-term occupants. Finally, in CY 2010 and 2011, the Family Services Division conducted quarterly inspections of every single unit in both of these cluster programs.

The bi-monthly monitoring tool evaluation of hotels system-wide proved excessive. Thus, since January 2011, DHS has committed to performing monitoring tool evaluations semi-annually for all cluster sites and hotels. In response to Recommendation No. 1, DHS is establishing a plan to ensure that monitoring tool evaluations of all Aguila sites are conducted twice a year.

DHS agrees with Recommendation No. 2 that the Agency ensure Aguila's maintenance of client sign-in logs or attendance records for all of its shelter facilities, including at all buildings comprising cluster programs. DHS has implemented a new procedure requiring all providers of cluster site programs, including Aguila, to ensure that their clients in standalone buildings sign daily log sheets and to submit them to DHS on a weekly basis. Going forward, the Agency will also closely monitor Aguila's compliance with this new procedure. DHS is also working with its cluster providers to develop a sign-in/sign-out process at non-standalone buildings.

DHS disagrees with Recommendation No. 3 that DHS investigate the unsupported client-lodging days identified in the Report on the ground that the finding of unsupported care days is based solely on whether or not a care day was supported by a sign-in log or attendance sheet. As Aguila demonstrates in its Response, the fact that a client's signature does not appear on a sign-in log or attendance sheet for a particular day does not mean that the family did not reside in the shelter that day. Moreover, as stated in Agency responses to previous Comptroller audits, DHS has a care-day reconciliation process in place to track client entry into and out of the family shelter system.⁴ A summary of this process is outlined below in response to Recommendation Nos. 4-6.

³ DHS did not conduct any evaluation for one of the six hotels, the Parkview, which shelters adult families (*i.e.*, without children). We attribute this circumstance to the transition of oversight of adult family shelters from the Family Services Division to the Adult Services Division at the end of CY 2009. Effective immediately, DHS is committed to conducting bi-annual reviews at the Parkview, scheduled for September 2011 and March 2012.

⁴ See DHS' response to the March 25, 2010 Audit Report on DHS' compliance with City procurement rules and controls over payments to non-contracted providers (FK09-069A) ("March 25, 2010 Audit Report"), Addendum at 6-7; DHS' response to the July 17, 2009 Audit Report on the contract of Basic Housing, Inc. with DHS to provide shelter and support services (MEO9-088A) ("July 17, 2009 Audit Report"), Addendum at 49-50.

Recommendation Nos. 4-6 state that DHS should:

4. Recoup \$913,949 from Aguila related to improper expenditures.
5. Investigate insufficiently supported expenditures totaling \$9.1 million and recoup funds accordingly.
6. Periodically review Aguila financial records, including but not limited to inventory procedures and lists, allocation plans, contracts, and invoices, to ensure that reported expenditures are accurate, reasonable, appropriate, and adequately supported.

DHS Response

With respect to Recommendation Nos. 4 and 5, pursuant to DHS' request, the auditors provided a breakout of the \$913,949 in allegedly improper expenditures and the \$9.1 million in insufficiently supported expenditures, for FY 10. The breakout reflects that (1) \$713,378 of the \$913,949 was billed to the contracted Bronx Cluster and the remaining \$200,571 to the non-contracted Annex Cluster; and (2) \$4,492,931 of the \$9.1 million in allegedly unsupported expenses was billed to the Bronx Cluster and the remaining \$4,616,058 to the Annex Cluster.

► **The Bronx Cluster**

As is always done in the case of shelter contracts based on a line-item budget, Aguila was reimbursed under the Bronx Cluster contract through a monthly billing or care day reconciliation process (described below) and a fiscal year-end close-out process for its covered expenses. Pursuant to the close-out process, the Agency compared Aguila's close-out expenditures to its approved fiscal year 2010 budget. The close-out of Aguila's FY 10 expenses under the Bronx Cluster contract reflects the Agency's allowance of payments to the Provider in the amount of \$4.3 million in rental expenses plus \$4.4 million in other expenditures against an approved budget of \$9 million. The final close-out payment is determined based on care days and submitted expenses. Legal fees of \$156,415 cited in the Draft Report as requiring justification and support was previously submitted as a new need request to DHS but was not approved.

The Draft Report states that the \$4.3 million in rental expenses for the Bronx Cluster was not supported by a lease or adequate monthly invoices. On June 30, 2011, the lease between Aguila and the landlord of the buildings comprising the Bronx Cluster expired. Thereafter, the Provider and the landlord engaged in negotiations of a written agreement to renew the lease for an additional one-year term and for the same rental amount as existed under the previous lease. These negotiations were just completed and a fully executed lease amendment agreement is now in place. The \$4.3 million in Bronx Cluster rental expenses represents 96 percent of the \$4,492,931 million in Bronx Cluster expenses that the Draft Report asserts are unsupported. As for the remaining \$172,931 in expenses that DHS allowed in the close-out as falling within Aguila's line-item budget, see Aguila's Response for further explanation of these expenditures.

In addition to the close-out process, DHS utilizes several other tools to ensure that contract providers' use of City funds is appropriately expended. DHS retains contracts with six independent accounting firms ("CPA firms") to conduct audits of one-third of the Agency's human services contracts every year. In the event issues arise concerning a provider in a year not

subject to automatic audit, DHS' internal auditors or one of the Agency's CPA firms will conduct a special audit of the provider's operations that are of concern. Moreover, DHS' Audit Services also conduct "expenditure reviews" each year. The auditors randomly select a provider and examine documentation concerning all expenditures incurred by the provider during a randomly selected month within the past two years.

This methodology, the internal and CPA audits, special audits as necessary, and expenditure reviews, coupled with the fiscal year end close-out process for line-item budgeted contracts provide more than adequate monitoring and assurance with respect to shelter providers' activities and use of City funds. As part of the Agency's regular audit protocol, DHS has scheduled a CPA audit of Aguila's FY 10 expenditures under the Bronx Cluster and Parkview contracts. Given the auditors' concerns and in response to Recommendation Nos. 4, 5 and 6 that the Agency conduct periodic review of Aguila's expenditures, DHS will also instruct the CPA firm conducting the Bronx Cluster audit to follow up on the Draft Report's findings concerning the Cluster's expenditures.

► The Annex Cluster

Pursuant to a per diem arrangement with Aguila concerning the Annex Cluster, DHS pays Aguila an agreed-upon per diem rate per family based on shelter occupancy. Since the payment mechanism is not based on a line-item budget, DHS does not conduct a close out in connection with Aguila's expenditures concerning the Annex. Instead, DHS processes monthly billing submissions from and makes payments to Aguila and other family shelter providers (both contracted and non-contracted) based upon data that the Agency's Housing Emergency Referral Operations unit ("HERO") inputs into the DHS Client Tracking System ("CTS") concerning the family's placement in and departure from shelter. HERO operates 24 hours a day, seven days a week (including holidays) and is responsible for the placement of homeless families in shelter, tracking of shelter clients, controlling vacancies in the family shelter system, and reconciling data concerning the exiting of families from shelter. HERO's tracking system documents in CTS, an electronic tracking database, each family's entry into and exit out of the family shelter system, as well as each family's activity from the time of arrival to the time of departure, such as a family's transfer from one shelter to another. HERO's Vacancy Control Unit contacts every shelter to verify client arrivals and departures as part of a *daily* reconciliation process with CTS data.

DHS' Care Day Reconciliation unit is responsible for the reconciliation of care days from non-contracted providers. The Financial Management System (FMS) is used to pay per diem family shelter providers through electronic fund transfers (EFT), with payments issued by the Department of Finance to the provider's bank account. The reconciliation procedures are designed to reduce the risk of overpayment or unauthorized payments.

Shelter providers are required to designate a financial officer or agent thereof to certify and attest to the accuracy of their monthly billings and all associated documents. Each invoice submitted to DHS must include a statement of certification and the signature of the financial officer and his/her agent. Upon receipt of an invoice, a DHS supervisor or designee will review the submission for completeness regarding required signatures for certification. If the invoice is incomplete due to missing certification and/or required signatures, the supervisor will

immediately contact the provider to resend a corrected invoice. Once a correct invoice is received, DHS generates a Pre Payment Register, which is an automated report that lists the shelter's lodging history based on CTS records. DHS compares the Register line by line against the shelter invoice and annotates the invoice for any inconsistencies in dates of residency, family composition, case numbers, unit occupancy and daily rate. DHS investigates all inconsistencies uncovered as a result of this comparison; the type of discrepancy determines the action the Agency must take to resolve it. All discrepancies are resolved in favor of CTS unless the provider submits evidence (*i.e.*, client sign-in logs) demonstrating that CTS is incorrect.

As demonstrated above, the billing process for non-contracted shelter providers has multiple safeguards and quality control measures to ensure accuracy in billing and payment for residential care days.⁵ Moreover, DHS' newly implemented procedure requiring cluster providers to submit daily log sheets (with respect to standalone buildings) to the Agency will further enhance the billing process for non-contracted shelters. *See also* Aguila's Response for a discussion of expenditures questioned in the Draft Report.

Recommendation Nos. 7 and 8 state that DHS should:

7. Enter into written contracts with Aguila for directly operated facilities that at a minimum specify or restrict how funds may be expended, delineate services to be provided, establish minimum performance standards, and detail remedies or termination clauses for failure to meet standards.
8. Ensure that sub-contracted services are covered by written contracts that at a minimum specify or restrict how funds may be expended, delineate services to be provided, establish minimum performance standards.

DHS Response

DHS disagrees with Recommendation No. 7 in that it is based on the Draft Report's finding that DHS' use of shelter facilities pursuant to per diem arrangements violates the City Charter, Administrative Code and Procurement Policy Board (PPB) Rules. As we have discussed at length in response to previous Comptroller audits and in correspondence with the Comptroller, and as DHS has asserted in a pending lawsuit filed by the Comptroller against the City,⁶ it is the

⁵ In addition, quality assurance checks exist outside the billing process to further reduce the risk of overpayment or unauthorized payments to contracted and non-contracted providers such as (1) biweekly health and safety inspections of every unit in the shelter; (2) weekly inspections of units for families who have an open ACS case or child under six months old; if, upon inspection, it appears that the client has permanently vacated the room, shelter staff must notify immediately the DHS program analyst with oversight over that facility who, in turn, will notify HERO; and (3) as part of the Monitoring Tool evaluation of cluster site programs and hotels, DHS conducts an audit to verify unit occupancy and ensure that the shelter provider has accurately billed DHS for residential care days. *See* March 25, 2010 Audit Report (FK09-096A), Addendum at 7-8.

⁶ *See* March 25, 2010 Audit Report, Addendum at 3-4 (which, in turn, cites (1) the Law Department's Legal Opinion, referenced in the City's October 1, 2003 response to the Comptroller's Audit Report of DHS controls over payments to hotel and scatter-site housing providers (FM03-123A), to the effect that under the Agency's per diem arrangements with shelter operators, DHS is not procuring any "client

City's long-standing legal position that DHS' per diem arrangement with a shelter operator does not constitute a procurement within the meaning of the City Charter, Administrative Code or PPB Rules. Accordingly, DHS is not required to execute or register a contract for the provision of shelter before referring homeless families to facilities operated pursuant to a per diem arrangement.

While per diem payment arrangements are thus lawful, DHS agrees that, as a matter of policy, the Agency should continue moving toward establishing contracts for its facilities to the extent shelter demand, existing capacity, provider willingness and fiscal constraints allow. DHS is proud of the progress it has made in converting per diem units to contract — particularly in light of the significant challenges in procuring contracts in the face of the City's legal mandate to provide shelter to all eligible homeless families and individuals. To date, approximately 80 percent of all units within the shelter system for families with children and adult families are either under contract or in various stages of the procurement process.⁷

DHS agrees with Recommendation No. 8 to the extent that the Agency will ensure that Aguila complies with the subcontracting provisions of its contracts to operate the Bronx Cluster and the Parkview Hotel. DHS further addresses this Recommendation in its response to Recommendation Nos. 10-12, below.

Recommendation No. 9 states that DHS should:

9. Establish non-contracted facility per diem rates based upon audited line-item operating budgets.

DHS Response

DHS disagrees with Recommendation No. 9 in that it is based on the Draft Report's finding that the Agency "failed to ensure that non-contracted payment rates were reasonable, appropriate and adequately supported." The Draft Report bases this finding solely on the fact that the per diem rate for the Annex Cluster would have been lower had the rate been based on expenses established pursuant to a line-item budget. As explained above, payments made to non-contracted providers pursuant to per diem arrangements are not governed by line-item budgets. Moreover, the Draft Report did not find fault with the per diem rate of the other non-contracted Aguila sites. As is the case here, it is inevitable that, depending on the particular landlord, the location of the shelter site, and the economic factors at play at any given point in time, per diem rates are bound to vary with some below the average and some above. That the Annex Cluster per diem rate fell within the high end of the range is hardly a basis for concluding that DHS failed to ensure that non-contracted payment rates were reasonable, appropriate and adequately supported.

services" or "other services" within the meaning of the PPB Rules); (2) 2003-2009 correspondence between the Comptroller and DHS; and (3) the City's papers submitted in the pending litigation in *Westchester Square/Zerega Improvement Org., Inc. v. Hess, et al.*, Index No. 260573/09 (Sup. Ct., Bronx Co. 2009, Wright J.).

⁷ All 54 shelters for homeless single adults, which are operated by non-profit shelter providers, are under contract.

Recommendation Nos. 10, 11 and 12 state that DHS should:

10. Review and approve Aguila sub-contracts for the performance of its obligations.
11. Ensure that Aguila sub-contracts contain provisions specifying that work performed by sub-contractors must be in accordance with the terms of master contracts between DHS and Aguila.
12. Obtain VENDEX questionnaires for vendors, including sub-contractors, whose aggregate annual contract values exceed \$100,000.

DHS Response

DHS agrees with these recommendations with respect to sub-contracts Aguila enters into for performance of its obligations under its contract with DHS to operate the Bronx Cluster and its contract with the Agency to operate the Parkview shelter. DHS will take steps to (1) further ensure that Aguila submits for the Agency's review and approval all subcontracts subject to the subcontracting provisions of these two contracts; and (2) obtain VENDEX questionnaires for those sub-contractors whose aggregate contract values exceed \$100,000.

As for the Draft Report's finding that there were no lease agreements for several Aguila sites, including the contracted sites, as noted in our response to Recommendation Nos. 4-6, above, there is now a lease amendment agreement in place for the Bronx Cluster. Aguila and the landlord of the Parkview are negotiating a lease for that site and we have directed Aguila to complete negotiations and enter into a lease agreement executed by both parties this month.

DHS does not agree with these recommendations with respect to non-contracted sites and, in that regard, reiterates its response to Recommendation No. 7, above.

Recommendation Nos. 13-16 state that DHS should:

13. Ensure that facilities are inspected in accordance with DHS procedures.
14. Ensure identified conditions are properly reported and followed up on in a timely manner.
15. Routinely check whether facilities have open violations and ensure that providers rectify open violations in a timely manner.
16. Cease placing clients in facilities with hazardous and unsanitary conditions.

DHS Response

While the Draft Report acknowledges that DHS has instituted "numerous" controls to ensure that its providers shelter clients in safe and sanitary conditions, the auditors found that DHS inspection reports certifying that cluster units were suitable for placement "appeared photocopied"; RSRI reports did not accurately reflect the conditions noted, inspections were not done as frequently as required; and there was insufficient follow up to ensure conditions identified through inspection or that were the subject of outstanding DOB or HPD violations

were resolved. Each of these findings is addressed below. However, at the outset, we believe it important to emphasize that, contrary to the premise underlying Recommendation No. 16, *DHS places clients only in facilities that are safe, decent and clean.*

DHS takes very seriously the Draft Report's finding that cluster unit inspection reports appeared photocopied. In response, DHS has commenced an investigation of this finding. In addition, the Agency has formed a special unit comprised of inspectors who previously had worked in Family Services' Office of Re-Housing ("OOR"). Headed by the Assistant Commissioner who previously was in charge of OOR⁸, this special unit is comprised of inspectors from a different Agency division than the employees who had been conducting cluster inspections. The new unit will re-inspect every cluster unit in the Bronx Cluster and the Annex Cluster. In addition, the Agency is developing a staffing plan for conducting physical inspections of cluster units comprising the cluster programs of all cluster providers, including Aguila, which will be implemented in the fall. DHS will also be working toward implementing software that will allow the Agency to identify inspection patterns requiring further analysis. Finally, it should be noted that the cluster units that were the subject of inspection reports called into question in the Draft Report were also inspected by the Family Services Division on a quarterly basis throughout CY 2010.

While DHS does not have any reason to believe that the RSRI inspection reports concerning Aguila sites do not accurately reflect the conditions noted, in an exercise of caution, the special unit will review these reports to ensure that the rating assigned to reflect the overall condition of the facility is consistent with the physical conditions noted in the report.

As noted in response to Recommendation No. 1, above, DHS is currently finalizing a plan to ensure bi-annual monitoring tool evaluations of Aguila sites. The Agency also is requiring Aguila to develop a corrective action plan to address all outstanding building violations in a timely manner.

Recommendation Nos. 17, 18 and 19 state that DHS should:

17. Ensure that facility program reviews are conducted in accordance with DHS procedures.
18. Ensure that identified social service deficiencies are followed up on in a timely manner.
19. Require Aguila to develop improvement plans for facilities that do not meet housing placement targets.

DHS Response

With respect to Recommendation No. 17, the Draft Report points to a provision in Aguila's shelter contracts stating that the maximum length of stay for residents shall not exceed six months and that the Provider's ability to place a family in permanent housing within this time

⁸ As part of DHS' Advantage rental subsidy program, which was terminated in March 2011 after the State withdrew all state and federal funding for the program, the OOR inspectors were tasked with inspecting potential apartments for shelter clients prior to move-in to ensure that they were compliant with HUD quality standards.

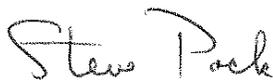
frame “may be a factor in evaluating the Contractor’s performance.” This finding is based upon the number of Aguila’s clients who, as of June 2010, had resided in shelter for more than 6 months. However, as we advised the auditors in writing after the exit conference, consistent with the contract provision, DHS set targets for Aguila to move families out of shelter as expeditiously as possible and imposed financial penalties on Aguila when it failed to do so. Also, as noted above, DHS is completing a plan to heighten its monitoring of the Provider’s progress toward addressing programmatic deficiencies.

Recommendation Nos. 18 and 19 are based on the Draft Report’s findings that the Agency did not conduct monitoring tool evaluations as frequently as required or conduct sufficient follow up of program deficiencies identified in the evaluations. As we advised the auditors in writing following the exit conference at which these recommendations were discussed, DHS Family Services staff works with all of its shelter providers, including Aguila, on an ongoing basis throughout the year to ensure that maximum efforts are made to return shelter clients to the community as expeditiously as possible. By means of e-mail, telephone and in-person communication between Aguila staff and Family Services staff, DHS follows up on shelters’ responses to Monitoring Tool evaluations and physical site inspections. Through these various forms of communication, the Agency provides technical assistance to Aguila sites on a host of issues, including areas identified in Monitoring Tools, physical inspections and other procedures that DHS has instituted to track and improve Aguila’s delivery of service to shelter clients.

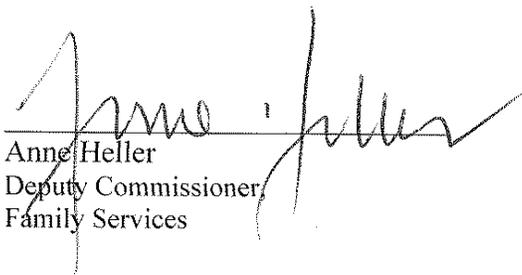
In addition, as we explained at the audit exit conference and in writing thereafter, Family Services staff and Aguila staff are in constant communication (via e-mail, telephone and in-person meetings) about individual shelter clients to resolve issues that impede these clients’ exit from shelter. This ongoing communication concerning Aguila shelters and Aguila shelter clients is reflected in thousands of e-mail, phone calls and face-to-face meetings throughout the year. In addition, DHS meets with shelter providers (including Aguila) collectively to discuss and provide training on new initiatives and other important matters. Thus, the lack of a Monitoring Tool for a particular two-month period or the lack of a corrective action plan in response to a particular Monitoring Tool does not indicate that DHS failed to effectively monitor a particular Aguila site or that a particular Aguila shelter failed to take corrective action in response to an evaluation. Given the auditors’ concerns and as noted in response to Recommendation Nos. 4-6 above, DHS is establishing a plan to further heighten its monitoring of the Provider’s progress toward addressing programmatic deficiencies.

DHS thanks the Comptroller’s audit staff members for their efforts in performing this audit and for providing us with the opportunity to respond to the Draft Report’s findings and recommendations.

Sincerely,



Steve Pock
Deputy Commissioner, Fiscal and
Procurement Operations



Anne Heller
Deputy Commissioner,
Family Services

Attachs.

cc: Seth Diamond/DHS
Lula Urquhart/DHS
Michael King/DHS
Julia Moten/DHS
Ron Abad/DHS
Alex Barro/DHS
George Nashak/DHS
George Davis/ Mayor's Office of Operations



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Peter Rivera
Executive Director

September 12, 2011

VIA E-MAIL

Ms. H. Tina Kim
Deputy Comptroller for Audit
Office of the Comptroller
1 Centre Street
New York, NY 10007-2341

Re: Response to Audit Report on the Department of Homeless Services' Controls
Over Billing and Payments Made to Aguila, Inc. (FK10-130A)

Dear Ms. Kim:

I am writing to address the Draft Audit Report regarding the New York City Department of Homeless Services' (DHS) controls over billing and payments made to Aguila, Inc.

Your report made various recommendations to DHS, some to which we agreed, either completely or in part, and others to which we disagreed, again either completely or in part. We feel that our annexed response satisfies many of the concerns raised within the Report and thus respectfully submit it to you for your review.

In that regard, we continue to strive toward building upon the experience and knowledge that we've garnered through the years to maintain a solid and supportive program for the clients that we serve. We also appreciate the opportunities we've been given and look forward to continue to work with DHS and the City of New York in fulfilling our mission of helping the homeless families of New York City to achieve independent living.

Respectfully,

Peter Rivera
CEO/ Executive Director

Attach(s).

A non-profit, non-sectarian, tax exempt organization

Response to Recommendations 2 and 3 of the Comptroller's Audit Report

Aguila, Inc. conducted an investigation in response to the City of New York Office of the Comptroller Financial Audit Report, Summary of Unsupported Care Days and Unsupported Payments for June 2010. With respect to your findings, we respectfully disagree. The Comptroller's summary consists solely of a review of attendance sheets submitted for the various facilities in Aguila, Inc. and as such, limits what is available to arrive at a fair and equitable conclusion. We reviewed and submitted additional documentation consisting of the following:

Comptroller's Audit

- attendance sheets
- sign in/ out sheets

Aguila Response

- attendance sheets
- sign in/out sheets
- move-out forms
- weekend passes
- independent living plans
- intake forms
- apartment review documentation
- incident reports
- client case histories
- HRA forms
- unit inspection forms
- documentation of appointments
- security communication books
- clients' contracts pertaining to savings, employment, and housing
- signed client code of conduct forms and the client acknowledgement of responsibility forms (CARF)
- voluntary direct payment forms
- PATH appointments
- work orders

Therefore, after a thorough review of all of the above records, one could verify that virtually all of the alleged unsupported care days, excluding Bronx Neighborhood Annex, were, in fact, fully supported care days.

Please see the attached charts pertaining to the facilities listed in the Comptroller's summary, which itemizes the types of proof reviewed by Aguila, Inc.

Despite the fact that our records properly document supported care days, we have reinvested in a daily practice of monitoring client attendance, based upon DHS directives, which will focus solely on one category of documents as opposed to the myriad of documents we have submitted in response to the Comptroller's Audit Report.

Response to Recommendations 4, 5 and 6 of the Comptroller's Audit Report

Generally:

Aguila, Inc. provides transitional housing services to families with children and adult families under the auspices of DHS by employing two types of programs: contracted programs and non-contracted programs. The contracted programs include the Bronx Neighborhood Cluster and Parkview Hotel. All other programs are non-contracted programs.

Aguila, Inc. conducts its own audits of all its shelter operations (contracted and non-contracted), annually through an independent, third party auditor. These audits are conducted through Generally Accepted Accounting Principles (GAAP).

Administrative Overhead:

Prior to commencement of each fiscal year, Aguila, Inc. provides a proposed budget, for all of its contracted programs, including administrative overhead anticipated to be spent during the fiscal year. DHS approves that budget in advance. Furthermore, Aguila, Inc. submits an annual Report of Actual Administrative Overhead Expenses to DHS for its annual closeout review for programs under contract with DHS, which is also reviewed and approved by DHS. This report actually identifies and delineates all administrative overhead expenses actually incurred and paid for the fiscal year. The amount indicated here pertains to the 8.5% in administrative overhead allocated and approved by DHS for the Bronx Neighborhood Cluster Program.

Expenses Not Allowable:

The amount in question pertaining to "personal vehicles" is a small percentage of the total \$194,783 indicated in the Comptroller's Audit Report. The "personal vehicles" referred to are in actuality business vehicles used solely for the Bronx Neighborhood Cluster Program. They include two 15-passenger vans and a maintenance vehicle. All three vehicles were used on a 24 hour, 7 day per week basis within that program, for tasks such as: transportation of clients and their belongings, transportation of staff and maintenance material, performance of routine site inspections, welcoming new families arriving on off-business hours, and addressing all emergencies that may arise within that program. Upon the lease expiration of one of the vehicles in FY '10, it was returned to the leasing company and payments were made based upon assessments of the condition of the vehicle upon return.

The amount in question pertaining to Board of Directors "fees" was a small percentage of the total \$194,783 indicated in the Comptroller's Audit Report. Our practice has been to reimburse board members, out of non-contracted funds, for travel and meals in attending board meetings. In addition we have paid members to review and analyze various reports to further develop a future business scenario for Aguila, Inc. However, as per DHS' directive we will no longer reimburse members for that purpose.

The amount of expenditures related to out-of-state meals referred to in the Comptroller's Audit Report is a small percentage of the \$194,783 indicated. In order to allay the concerns of the Comptroller, and as per DHS' directive, Aguila, Inc. will no longer incur such expenses.

Legal Fees:

Aguila, Inc. submitted a New Needs Request to DHS for an increase in legal fees, based on the amount of time dedicated to litigation, subpoena requests, filing of incidents, research, DHS legal requests and cooperation in preparing for various court appearances, and negotiating and preparing documents including leases, among other matters, for the Bronx Neighborhood Cluster Program. DHS never reimbursed Aguila, Inc. for these fees, thus Aguila, Inc. never actually paid these fees to its legal counsel. The expense was listed in Aguila, Inc.'s financial records under "accounts payable." As this amount was never paid to Aguila, Inc.'s attorneys, it was not an "improper payment," as indicated in the Comptroller's Audit Report.

Loan Interest Expense:

Aguila, Inc. received a start-up loan from New York National Bank at the onset of the Bronx Neighborhood Cluster Program. As per the contract, DHS agreed to reimburse Aguila, Inc. for repayment of the loan. In its financial records, Aguila, Inc. recorded the principal and interest payments as one entry, under "loan payable." Upon advice from independent auditors, commissioned by DHS, in March 2010 the journal entry was changed prospectively to reflect the interest expense apart from the principal expense of the loan. This was done merely as an adjusting entry to reclassify the loan payable, as per the auditors. The principal and interest continued to be paid together as it was done prior to March 2010.

Please see the annexed information indicating how the start-up funds were used.

Utility Charges:

Prior lease agreements, including those subsequent to August 2010, entered in to with the landlord of the Bronx Neighborhood Cluster Program contained provisions for utilities, and the new lease contains provisions for utilities.

The utility charges addressed here are not the responsibility of the landlord. As per the Bronx Neighborhood Cluster contract with DHS, Aguila, Inc. pays for electric, gas and water/sewer charges for this program. Aguila, Inc. pays the electric and gas charges directly to the utility company. Water/sewer charges are paid by the landlord and reimbursed to him by Aguila, Inc. on a pro-rated basis, based on the number of units that our clients occupy within the facilities.

Rental Expenses:

All rental expenses were accurately reported and are reasonable. Aguila, Inc. has renewed and executed a new lease for the Bronx Neighborhood Cluster Program and is currently in the process of renewing a lease for the Parkview Hotel.

**Goods and Services Not Related To Charged Facilities and Goods Not Supported By Invoices
Detailing Delivery Location:**

Prior to October 2010, there was insufficient storage space at the Bronx Neighborhood Cluster facilities to allow for proper storage of equipment, furniture and other goods. Therefore, items purchased in advance for the Bronx Neighborhood Cluster Program were stored in non-contracted facilities with excess storage space, and were transferred to the Bronx Neighborhood Cluster facilities when needed. Tracking of the

items was conducted based on the cross-reference of invoices when the items were purchased and maintenance work orders when they were transferred.

Since October 2010, newly renovated space at one of the Bronx Neighborhood Cluster sites now allows for enough storage space for goods and items purchased for that specific program. Furthermore, Aguila, Inc. is working on implementing a new inventory/maintenance control process that facilitates an easier tracking system for goods purchased for all programs. Please see a further explanation of this below.

Depreciation Charges:

The depreciation charges for fixed assets, we feel, are correct and supported by original bills and invoices.

However, this raises the question of how we treat and monitor fixed assets. We will develop and implement an inventory and fixed asset tracking system, subject to board approval and oversight. This will have the combined effect of monitoring goods and services not charged to facilities (bullet #7), goods and services not supported by invoices detailing delivery location (bullet #8), and depreciation for vehicles, furniture and fixtures (bullet #9).

Prudent fiscal management dictates that an entity such as ours has the responsibility to safeguard its assets and to accurately and currently reflect transactions.

Response to Recommendations 17, 18 and 19 of the Comptroller's Audit Report

Aguila, Inc. endeavors to transition clients in to permanent housing in the time frame allotted by DHS. However, from March 2010 to June 2011, DHS utilized the services of third party housing organizations through the Home Base Program, to transition clients to permanent housing from all of our non-contracted sites, including the Bronx Neighborhood Annex, as well as to other providers.

As a result, Aguila, Inc. was only partially responsible for such move-outs during the period covered by this Audit for the aforementioned programs. To the extent that issues were raised toward transitioning clients to permanent housing during the month of June 2010 (audited by the Comptroller), they are more properly addressed to those third party vendors as opposed to Aguila, Inc.

June 2010 Attendance

Parkview Inn	
Care Days Paid:	5438
Total client signatures from attendance sheet:	5283
Missing client signature from attendance sheet:	155
Proof other than signed attendance sheet:	155
Difference between missing client signatures and proof other than attendance sheet:	0
Type of Proof (Not Attendance sheet)	
Move Out Form (Client moves to permanent housing):	8
Log out notices (48hrs)	2
ILP (bi-weekly, weekly for LTS clients. Possible tasks assigned) CI present unless logged out:	16
Intake (For new clients):	1
Incident Report:(CI identified in incident):	3
History (CI progress notes):	31
HRA(Appts, referrals, etc)	8
Inspections (Visual, unit occupied):	9
Appointments (outside of the facility)	4
Signed CARF(Intake, after eligibility)	7
Contracts (Next Step Contract, Savings, employment, & housing):	1
Voluntary Direct Payment:*	56
CM received documents from client:	2
Work Order	1
Client Arrest Record	6
Questionable paid days	
***# indicates different families (have not signed 2 or more consecutive days):	3
***Total days families have not signed for 2 or more consecutive days:	10

* Intake Form completed upon client's arrival to the facility

** # of unsupported days where there is no proof but client was physically seen by various staff

*** Staff has verified seeing clients during at least one of the two consecutive days

June 2010 Attendance

Care Days Paid:	360	386	441	185	363	358	161	390	90	300	163	120	289	416	4022		
Total client signatures from attendance sheet:	351	304	Ж	Ж	315	315									1285		
Missing client signature from attendance sheet:	9	82	441	185	48	43									808		
Proof other than signed attendance sheet:	9	82	431	185	48	43									798		
*Difference between missing client signatures and proof other than attendance sheet:	0	0	10	0	0	0									10		
Type of Proof (Not Attendance sheet)																	
Sign In/Out Sheets (Not attendance sheet):	8		431														439
Move Out Form (Client moves to permanent housing):						1											1
Weekend Pass (2days):																	0
ILP (bi-weekly, weekly for LTS clients. Possible tasks assigned) CI present unless logged out:	1	68		170	40	29											308
Intake (For new clients):																	0
Apt Review Document Returned (CI viewing apt):						2											2
Incident Report:(CI identified in incident):		1															1
History (CI progress notes):				1													1
HRA (appts, referrals, etc.):																	0
Appointments (outside facility by CI):						3											3
Inspections (Visual, unit occupied):		2		14													16
**Voluntary Direct Payment:		4			8	8											20
CM received documents from client:																	0
CI received PATH appt, eligibility etc:																	0
Signed CCC/CARF (Intake, after eligibility):		1															1
(Security notes on violations of rules and regs):		5															5
Contracts (Savings, employment, & housing):		1															1
Questionable paid days																	
# indicates different families (have not signed 2 or more consecutive days):		7			1												8
***Total days families have not signed for 2 or more consecutive days:		35															35

* # of unsupported days where there is no proof but clients was physically seen by the various staff

** Intake from signed by the client upon arrival.

*** Staff has verified seeing client during at least 1 of the 2 consecutive days.

Ж We believe comptrollers took original Attendance sheets, however we still produced proof other than signed attendance sheet.

Sites with no guard and No office	
FACILITY	# of Days Billed
[REDACTED]	161
[REDACTED]	390
[REDACTED]	90
[REDACTED]	163
[REDACTED]	300
[REDACTED]	416
[REDACTED]	289
[REDACTED]	120
TOTAL	1929

June 2010 Attendance

Cauldwell Family Residence	
Care Days Paid:	1549
Total client signatures from attendance sheet:	1445
Missing client signature from attendance sheet:	104
Proof other than signed attendance sheet:	104
Difference between missing client signatures and proof other than attendance sheet:	0
Type of Proof (Not Attendance sheet)	
Sign In/Out Sheets (Not attendance sheet):	84
Log Out Notices (48hrs)	2
Weekend Pass (2days):	14
*Voluntary Direct Payment:	4
Questionable paid days	
***# indicates different families (have not signed 2 or more consecutive days):	2
***Total days families have not signed for 2 or more consecutive days:	4

* Intake Form completed upon client's arrival to the facility

** # of unsupported days where there is no proof but client was physically seen by various staff

*** Staff has verified seeing clients during at least one of the two consecutive days

June 2010 Attendance

Julio's Family Residence	
Care Days Paid:	678
Total client signatures from attendance sheet:	671
Missing client signature from attendance sheet:	7
Proof other than signed attendance sheet:	7
Difference between missing client signatures and proof other than attendance sheet:	0
Type of Proof (Not Attendance sheet)	
Sign In/Out Sheets (Not attendance sheet):	6
Log Out Notice(48hrs)	1
Questionable paid days	
*# indicates different families (have not signed 2 or more consecutive days):	1
**Total days families have not signed for 2 or more consecutive days:	2

* # of unsupported days where there is no proof but client was physically seen by various staff
 ** Staff has verified seeing clients during at least one of the two consecutive days

June 2010 Attendance

Julio's House	
Care Days Paid:	550
Total client signatures from attendance sheet:	521
Missing client signature from attendance sheet:	29
Proof other than signed attendance sheet:	29
Difference between missing client signatures and proof other than attendance sheet:	0
Type of Proof (Not Attendance sheet)	
Sign In/Out Sheets (Not attendance sheet):	26
Communication Book Note - Weekend Pass (3days):	3
Questionable paid days	
*# indicates different families (have not signed 2 or more consecutive days):	1
**Total days families have not signed for 2 or more consecutive days:	3

* # of unsupported days where there is no proof but client was physically seen by various staff

** Staff has verified seeing clients during at least one of the two consecutive days

June 2010 Attendance

Mike's House	
Care Days Paid:	433
Total client signatures from attendance sheet:	391
Missing client signature from attendance sheet:	42
Proof other than signed attendance sheet:	42
Difference between missing client signatures and proof other than attendance sheet:	0
Type of Proof (Not Attendance sheet)	
Weekend Pass (2days):	15
ILP (bi-weekly, weekly for LTS clients. Possible tasks assigned) CI present unless logged out:	2
Apt Review Document Returned (CI viewing apt):	1
Incident Report:(CI identified in incident):	1
History (CI progress notes):	7
HRA (appts, referrals, etc.):	1
Inspections (Visual, unit occupied):	3
Appointments (outside facility by cl):	2
Contracts (Savings, employment, & housing):	1
CM received documents from client:	3
Staff provided cl with Proof of residence:	6
Questionable paid days	
** indicates different families (have not signed 2 or more consecutive days):	0
**Total days families have not signed for 2 or more consecutive days:	0

* # of unsupported days where there is no proof but client was physically seen by various staff
 ** Staff has verified seeing clients during at least one of the two consecutive days

June 2010 Attendance

Mike's House Annex	
Care Days Paid:	382
Total client signatures from attendance sheet:	343
Missing client signature from attendance sheet:	39
Proof other than signed attendance sheet:	39
Difference between missing client signatures and proof other than attendance sheet:	0
Type of Proof (Not Attendance sheet)	
Move Out Form (Client moves to permanent housing):	1
Weekend Pass (2days):	12
ILP (bi-weekly, weekly for LTS clients. Possible tasks assigned) CI present unless logged out:	2
Intake (For new clients):	1
Incident Report:(CI identified in incident):	1
History (CI progress notes):	1
HRA (appts, referrals, etc.):	2
Inspections (Visual, unit occupied):	1
Communication Book (Security notes on violations of rules and regs):	3
Contracts (Savings, employment, & housing):	1
*Voluntary Direct Payment:	3
CM received documents from client:	2
Staff provided cl with Proof of residence:	7
CI received PATH appt, eligibility etc:	2
Questionable paid days	
**# indicates different families (have not signed 2 or more consecutive days):	0
***Total days families have not signed for 2 or more consecutive days:	0

* Intake Form completed upon client's arrival to the facility

** # of unsupported days where there is no proof but client was physically seen by various staff

*** Staff has verified seeing clients during at least one of the two consecutive days

AGUILA, INC.
START UP BUDGET

COMPANY	AMOUNT	DATE	CHECK #
ALBA FIRE SAFETY	500.00	11/14/06	13109
ALBA FIRE SAFETY	3,800.00	03/06/07	1003
HUDSON VALLEY (BANK FEES)	500.00	03/07/07	1008
BROADVIEW NETWORKS (TELEPHONE)	6,690.80	03/19/07	10012
OFFICE DEPOT (OFFICE SUPPLIES)	2,612.60	03/26/07	1015
DELL ACC CREDIT PLAN (COMPUTERS)	36,999.98	04/02/07	1005
NYNB BANK (LEGAL FEES)	575.00	04/11/07	1012
NYNB BANK (LEGAL FEES)	1,000.00	04/11/07	1013
THE NEW HOPE FUND (FURNITURE)	205,920.00	04/13/07	1015
U.S.BANK (OFFICE SUP-STAPLES)	5,960.41	04/16/07	1017
THE NEW HOPE FUND (CAMERAS)	282,174.58	04/19/07	1020
BROADVIEW NETWORKS (TELEPHONE)	28,273.00	04/23/07	1023
THE NEW HOPE FUND (LINEN)	12,750.00	04/23/07	1025
BROADVIEW NETWORKS (TELEPHONE)	6,690.80	04/23/07	1027
CAPITAL ONE	10,404.71	05/29/07	1076
CARR BUSINESS SYSTEMS	10,000.00	06/07/07	1091
UNDERWEISER (Legal Fees)	4,167.00	06/11/07	1104
TRISTATE APARTMENT (FURNITURE)	2,062.50	06/20/07	1117
CAPITAL ONE / HOME DEPOT (AIR COND)	1,690.00	06/25/07	1125
COSCO INTERPRISE (CLIENT SUPPLIES)	1,187.50	06/29/07	1133
LODGING KIT COMPANY (CLIENT SUPPLIES)	6,539.40	06/29/07	1131
REFLEXIONS DATA (COMPUER SOFTWARE)	18,733.50	07/24/07	1157
CAPITAL ONE	9,638.78	07/26/07	1162
THE NEW HOPE FUND (OFFICE PRODUCTS / DESK FILE CABINET)	6,446.43	08/13/07	1185
CAPITAL ONE (CHAIRS, TABLES, FILE CABINET/ STAPLES)	7,275.04	08/27/07	1200
N.A.R CONSTRUCTION (PLAYWOOD TO INSTALL TELE LINES/ ELECTRIC LINES)	4,200.00	09/11/07	1232
REFLEXIONS DATA (COMPUER SOFTWARE)	18,733.50	10/02/07	1275
REFLEXIONS DATA (COMPUER SOFTWARE)	18,733.50	05/01/08	1505
REFLEXIONS DATA (COMPUER SOFTWARE)	18,733.50	09/26/08	1672

TOTAL \$ 732,992.53

8.5% 62304.37 *Amin Overton*

795296.90

810128.- *Loan*

14831.10 *Left*