

# City of New York

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## OFFICE OF THE COMPTROLLER

Scott M. Stringer  
COMPTROLLER



## FINANCIAL AUDIT

**Marjorie Landa**  
Deputy Comptroller for Audit

Audit Report on the Samaritan Daytop  
Village Inc.'s Compliance with Its  
Contracts with the Department of  
Homeless Services

FP16-068A  
January 24, 2017  
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THE CITY OF NEW YORK  
OFFICE OF THE COMPTROLLER  
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NEW YORK, NY 10007

SCOTT M. STRINGER  
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January 24, 2017

To the Residents of the City of New York:

My office has audited Samaritan Daytop Village Inc. (Samaritan), a nonprofit corporation that provides shelter and services to homeless individuals and families pursuant to contracts with the New York City Department of Homeless Services (DHS). In the audit, we examined whether payments to Samaritan and the payment rates were reasonable, appropriate, and adequately supported, and whether Samaritan complied with certain provisions of its contracts with DHS. The audit also examined whether DHS adequately monitored Samaritan to ensure that all payments were made in compliance with the terms of the contracts. We audit entities that have entered into contracts with City agencies as a means of increasing accountability and ensuring that City funds are received and expended in compliance with the contract terms.

The audit found that Samaritan was generally in compliance with the fiscal requirements of its DHS contracts. However, our audit found weaknesses in Samaritan's controls over the maintenance of its In/Out Log sheets. Specifically, Samaritan was not able to provide In/Out Log sheets for 43 of 532 sampled client cases. The audit also found weak controls over certain aspects of DHS' fiscal operations that could reduce the effectiveness of DHS' oversight over providers. Specifically, DHS paid advances to Samaritan that exceeded the maximum amount allowed by \$1.5 million and failed to recoup \$346,337 of that excess amount. Finally, although DHS did not perform expenditure reviews of Samaritan's contracts for Fiscal Year 2015, Samaritan's expenses appeared appropriate. Nonetheless, periodic expenditure reviews are recommended to enable DHS to effectively monitor the fiscal performance of providers and provides reasonable assurance that expenditures are appropriate and consistent with the terms of the applicable contracts.

The audit makes five recommendations, including that Samaritan maintain and safeguard In/Out Log sheets to ensure that "care day" billing invoices are properly supported. The audit also recommends that DHS recoup the outstanding advance of \$346,337 from Samaritan; follow its Fiscal Manual when making advances and recoupments; ensure that advance payments made to providers do not exceed the allowed maximum amounts; and amend its Fiscal Manual or develop internal procedures that determine a frequency with which to conduct expenditure reviews.

The results of the audit have been discussed with Samaritan, the New York City Human Resources Administration (HRA) and DHS, and their comments have been considered in preparing this report. Their complete written responses are attached to this report.

If you have any questions concerning this report, please e-mail my Audit Bureau at [audit@comptroller.nyc.gov](mailto:audit@comptroller.nyc.gov).

Sincerely,

A handwritten signature in blue ink, appearing to read "Scott M. Stringer".

Scott M. Stringer

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# **THE CITY OF NEW YORK OFFICE OF THE COMPTROLLER FINANCIAL AUDIT**

## **Audit Report on the Samaritan Daytop Village Inc.'s Compliance with Its Contracts with the Department of Homeless Services**

**FP16-068A**

### **EXECUTIVE SUMMARY**

This audit is of Samaritan Daytop Village Inc. (Samaritan), a nonprofit corporation that provides shelter and services to homeless individuals and families pursuant to contracts with the New York City Department of Homeless Services (DHS). DHS is the City agency responsible for providing temporary emergency shelter and social services to eligible homeless adults and families. In the audit, we examined whether payments to Samaritan and the payment rates were reasonable, appropriate, and adequately supported, and whether Samaritan complied with certain provisions of its contracts with DHS. The audit also examined whether DHS adequately monitored Samaritan to ensure that all payments were made in compliance with the terms of the contracts.

DHS contracts with approximately 77 for-profit and nonprofit corporations to provide homeless services, of which Samaritan is one. Pursuant to contracts with DHS, Samaritan is responsible for delivering services to homeless families and individual adults at multiple facilities throughout New York City. For our scope period of Fiscal Year 2015 (July 1, 2014, through June 30, 2015), DHS paid Samaritan approximately \$51.8 million for services it provided in connection with seven contracts that required Samaritan to operate four Single Adult Shelters and three Family Shelters.

### **Audit Findings and Conclusions**

The audit found that Samaritan generally complied with the fiscal requirements of its DHS contracts. Specifically, Samaritan's payment rate calculations were reasonable and its expenditures appeared appropriate, in line with the budget, and adequately supported.

However, our audit found weak controls over certain aspects of DHS' fiscal operations that could reduce the effectiveness of DHS' oversight of Samaritan and other providers as well. Specifically, we found that DHS provided excessive cash advances to Samaritan beyond the amounts dictated by DHS' internal guidelines and that DHS failed to fully recoup these excess cash advances. According to the Fiscal Manual prepared by DHS and provided to Human Services Providers (the Fiscal Manual), requested advances "will be given at the beginning of the contract term and each of the city's fiscal years (7/1 to 6/30)." In addition, the Fiscal Manual states that "the maximum amount of the advance should be two (2) months or 2/12<sup>th</sup> of the annual contract amount."

Notwithstanding these instructions, DHS paid advances to Samaritan that exceeded the maximum amount allowed pursuant to the Fiscal Manual by \$1.5 million and, as of November 15, 2016, DHS had failed to recoup \$346,337 of that excess amount.

Our audit also found weaknesses in Samaritan's controls over the maintenance of its In/Out Log sheets at the Family Shelter facilities, which are required to support its calculation of the number of "care days" it provided and for which it billed DHS. Specifically, Samaritan was not able to provide In/Out Log sheets for 43 of 532 client cases, which represented 545 "care days" provided to homeless families for which Samaritan billed DHS.

Finally, we found that although DHS did not perform expenditure reviews of Samaritan's contracts for Fiscal Year 2015, Samaritan's expenses appeared appropriate. However, we note that expenditure reviews are nonetheless necessary to enable DHS to effectively monitor the fiscal performance of Samaritan and other providers and to ensure that DHS obtains reasonable assurance that expenditures are appropriate and consistent with the terms of the applicable contracts. Such reviews are particularly important because DHS does not require Samaritan to submit supporting documentation with its monthly invoices. As a result, DHS has limited assurance that the expenses being billed are valid absent a DHS fiscal review is performed as described in the Fiscal Manual.

## Audit Recommendations

The report made the following five recommendations, four to DHS and one to Samaritan.

- DHS should recoup the outstanding advance of \$346,337 from Samaritan.
- DHS should follow its Fiscal Manual when making advances and recoupments to better ensure that all advances paid are recouped by end of the annual closeout.
- DHS should ensure that advance payments made to providers do not exceed the allowed maximum advance amounts as stated in their Fiscal Manual.
- DHS should amend the Fiscal Manual or develop internal procedures that determine a frequency with which to conduct expenditure reviews.
- Samaritan should maintain and safeguard In/Out Log sheets to ensure that "care day" billing invoices are properly supported.

## Agency Responses

In the response submitted by the New York City Human Resources Administration (HRA) on behalf of DHS, DHS agreed with three of four recommendations and stated that it is taking actions to tighten up its vendor management process, currently revising its Fiscal Manual to more closely align with established internal policies and procedures, and developing a more formal process for its expenditure reviews.<sup>1</sup> However, DHS disagreed with the recommendation that it should follow its Fiscal Manual when making advances and recoupments to better ensure that all advances paid are recouped by closeout.

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<sup>1</sup> In April 2016, following a comprehensive review of the City's homelessness policies, Mayor de Blasio appointed Commissioner Banks to lead DHS, in addition to HRA, as head of a joint management structure under the Department of Social Services (DSS).

In its response, Samaritan stated that it has “implemented a system to ensure better maintenance and safeguarding of the program in/out log sheets.”

# AUDIT REPORT

## Background

DHS is responsible for providing temporary emergency shelter and social services to eligible homeless adults and families. To carry out its mission, DHS contracts with approximately 77 for-profit and nonprofit corporations to provide homeless services. Samaritan, a nonprofit corporation, is one of those providers. Pursuant to contracts with DHS, Samaritan is responsible for delivering services to homeless families and individual adults at multiple facilities throughout New York City. For Fiscal Year 2015, DHS paid Samaritan approximately \$51.8 million for services it provided in connection with seven contracts that required Samaritan to operate four Single Adult Shelters and three Family Shelters as detailed below.

**Table I**  
Contracted Shelter Payments

<b>Facility Name</b>	<b>Shelter Type</b>	<b>Start Date</b>	<b>End Date</b>	<b>Fiscal Year 2015 Payment<sup>2</sup></b>
Forbell Avenue Shelter	Adult	July 1, 2011	June 30, 2015	\$ 3,189,730
Van Siclen	Adult	October 1, 2011	June 30, 2016	13,095,885
East 53rd Street	Adult	July 1, 2013	June 30, 2018	12,134,371
Myrtle Avenue	Adult	August 1, 2013	June 30, 2018	5,654,433
Bridgehaven	Family	January 17, 2013	June 30, 2017	4,127,074
Gloria's House	Family	December 1, 2010	June 30, 2015	4,392,967
Pan Am (Boulevard)	Family	June 6, 2014	June 30, 2017	9,165,049
<b>Total Contract Payments for Fiscal Year 2015</b>				<b>\$ 51,759,509</b>

As shown by the contract “start” and “end” dates listed in Table I, the contracts between DHS and Samaritan have multi-year terms. These contracts call for Samaritan to provide services in accordance with approved budgets for each of the fiscal years that occur within the time periods set forth in each contract. The approved budgeted amounts can be changed through a request for a modification to a budget in the manner prescribed in the Fiscal Manual. The contracts require Samaritan to submit financial reports and invoices in accordance with the procedures outlined in the Fiscal Manual. Although the annual budget processes for the Single Adult Shelters and the Family Shelter facilities are similar, their payment processes differ.

Payments for the Family Shelter facilities pursuant to the DHS contracts are based on a per diem rate which is applied to the number of family-occupied units multiplied by the number of days in shelter. The per diem rate is individualized for each shelter and is calculated by taking the annual approved budget, divided by the number of units, divided by 365 days, and divided by a 95 percent occupancy rate.<sup>3</sup> As part of the payment process for Family Shelter facilities, Samaritan is required to electronically submit its invoices on a monthly basis through DHS’ Client Assistance

<sup>2</sup> The total payment amount reflected in Table I above does not include amounts recouped by DHS.

<sup>3</sup> This formula is set forth in all family contracts and is used to calculate the rates for the year. Pursuant to the contracts, the 95 percent is the minimum occupancy rate required for those shelters with 31 or more units.

Re-housing Enterprise System (CARES).<sup>4</sup> As part of the invoice submission process, Samaritan is required to use both a Nightly Signature Roster sheet and a daily In/Out Log sheet to record “care days” into CARES. CARES then generates invoices based on the number of “care days” reported by Samaritan, multiplied by the approved per diem rate for the year.

DHS contract payments for the Adult Shelter facilities, on the other hand, are based on Samaritan’s actual expenses. For Adult Shelter facilities, Samaritan is required to electronically submit monthly invoices to DHS using the New York City Health and Human Services Accelerator System (Accelerator).<sup>5</sup> When using Accelerator, Samaritan may only submit invoices for active contracts and for expenses that are allowed by the approved budgets.

The contracts for both Single Adult and Family shelters also allow Samaritan to request cash advances from DHS for services to be rendered under the contracts. However, advances do not alter the budgets established by the contract and must be paid back. Based on the Fiscal Manual, requested advances “will be given at the beginning of the contract term and each of the city’s fiscal years (7/1 to 6/30).” In addition, DHS’ procedures state that “the maximum amount of the advance should be two (2) months or 2/12<sup>th</sup> of the annual contract amount.” The Fiscal Manual also provides for advances to be recouped on a prescribed schedule within the fiscal year and at the contracts “closeout” period.<sup>6</sup> According to the recoupment schedule provided by the Fiscal Manual,

Advances will be recouped as follows:

Recoupment schedule

- 1) The first recoupment will be 10% of the total amount advanced and will be applied against the January invoice.
- 2) The 10% recoupment will continue monthly through the May invoice.
- 3) The balance of the advance (50%) will be taken at the closeout.\*

\*Note that if the June expenses are anticipated to be less than 50% of the advance issued, DHS reserves the right to increase the amount recouped in April and/or May (first and second recoupment) or to start the recoupment process earlier, to ensure that the advance is fully recouped.

New York City Charter, Chapter 24-A, “Department of Homeless Services”, § 612(8) requires DHS to “direct and supervise the management, operations, budget and funding of services for homeless individuals and families.” Consistent with this obligation, the Fiscal Manual includes provisions that require DHS to routinely conduct annual financial and compliance audits of contracted service providers through its contracted independent CPA firms on a three-year cycle where each provider is expected to be audited at least once. The Fiscal Manual states that DHS will also conduct Expenditure Reviews of at least one month’s expenses reported by the provider in a “current year or prior fiscal year to verify that these expenditures are accurately supported by adequate documentation.”

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<sup>4</sup> CARES is an integrated case management system intended to give DHS and its providers the ability to serve and track clients from initial intake to shelter placement, and through their return to the community.

<sup>5</sup> Accelerator is a City online-system through which several agencies, including DHS, manage their financial transactions such as budget, invoices and tracking payments. DHS uses Accelerator to process invoices for adult contracts.

<sup>6</sup> Annual Close-Out/Final Payments are completed through a two-step process in Accelerator where providers complete a final Budget Modification, if necessary. Once approved, or if there aren’t any changes to be made to the budget, a final invoice can be submitted. Providers must account for outstanding expenses when submitting their final invoices.

## **Objectives**

The objectives of this audit were to determine whether:

- Payments and payment rates were reasonable, appropriate, and adequately supported;
- Samaritan complied with the financial provisions of its contracts with DHS; and
- DHS adequately monitored Samaritan to ensure that all payments were made in compliance with the contract.

## **Scope and Methodology Statement**

We conducted this audit in accordance with Generally Accepted Government Auditing Standards (GAGAS) Performance 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. 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.

The scope of this audit covered Fiscal Year 2015 (July 1, 2014, through June 30, 2015). 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 Samaritan and DHS officials during and at the conclusion of this audit. The preliminary draft report was provided to Samaritan, HRA and DHS officials and discussed at an exit conference held on December 8, 2016. On December 14, 2016, we submitted a draft report to Samaritan, HRA and DHS officials with a request for comments. We received a written response from Samaritan on December 28, 2016 and from HRA on behalf of DHS on January 5, 2017.

In the response submitted by HRA on DHS' behalf, DHS agreed with three of four recommendations and stated that it is taking actions to tighten up its vendor management process, revising its fiscal manual to reflect established internal policies and procedures, and developing a more formal process for its expenditure reviews. However, DHS disagreed with the recommendation that it should follow its Fiscal Manual when making advances and recoupments to better ensure that all advances paid are recouped by closeout.

In its response, Samaritan stated that it has "implemented a system to ensure better maintenance and safeguarding of the program in/out log sheets."

The full texts of HRA's and Samaritan's responses are included as addenda to this report.

## FINDINGS AND RECOMMENDATIONS

The audit found that Samaritan was generally in compliance with the fiscal requirements of its DHS contracts. Specifically, Samaritan's payment rate calculations were reasonable, and its expenditures appeared appropriate, in line with the budget, and adequately supported.

However, our audit found internal control weaknesses over various parts of DHS' fiscal operations that could inhibit effective oversight of providers such as Samaritan. Specifically, we found that DHS provided excessive cash advances to Samaritan which DHS did not recoup in full. According to the Fiscal Manual, requested advances "will be given at the beginning of the contract term and each of the city's fiscal years (7/1 to 6/30)." In addition, the Fiscal Manual states that "the maximum amount of the advance should be two (2) months or 2/12th of the annual contract amount." Notwithstanding these instructions, DHS issued certain advances to Samaritan after the fiscal year end and in excess of the maximum advance allowed. As a result, DHS' advances to Samaritan exceeded the maximum amount by \$1.5 million and, as of November 15, 2016, DHS had failed to recoup \$346,337 of that excess amount.

Our audit also found weaknesses in Samaritan's controls over the maintenance of its In/Out Log sheets at the Family Shelter facilities, which are required to support its calculation of the number of "care days" it provided and for which it billed DHS. Specifically, Samaritan was not able to provide In/Out Log sheets for 43 of 532 client cases, representing 545 "care days" provided to homeless families for which Samaritan billed DHS.

Finally, we found that although DHS did not perform expenditure reviews of Samaritan's contracts for Fiscal Year 2015, Samaritan's expenses appeared appropriate. Nevertheless, expenditure reviews are necessary to enable DHS to monitor the fiscal performance of Samaritan and other providers and to ensure that DHS obtains reasonable assurance that expenditures are appropriate and consistent with the terms of the applicable contracts. Particularly since DHS does not require Samaritan to submit supporting documentation with its monthly invoices, DHS has limited assurance of whether the expenses being billed are valid unless a review is performed as described in the Fiscal Manual.

### DHS Failed to Follow Its Procedures When Issuing Advance Payments to Samaritan

#### Improperly Advanced \$1.5 Million

DHS failed to follow applicable procedures when it advanced funds to Samaritan for two Single Adult Shelter facilities. As a result, in Fiscal Year 2015, DHS issued cash advances that exceeded the maximum allowed advance amounts established for the two contracted facilities by \$1.5 million. According to the Fiscal Manual:

Providers may request from DHS an advance in payment for services to be rendered under the contract. An advance will be given at the beginning of the contract term and each of the city's fiscal years (7/1 to 6/30). The maximum amount of the advance will be two (2) months or 2/12<sup>th</sup> of the annual contract amount.

Our reconciliation of payments made by DHS to Samaritan during Fiscal Year 2015 revealed that at the beginning of the year (July 2014) DHS advanced a total of \$3.975 million to Samaritan for

two Adult Shelter facilities. That total would have approximated the maximum advance amount allowed under each facility's contract. However, on July 23, 2015 (before the Fiscal Year 2015 closeout), DHS issued additional advance payments of \$2 million for two facilities. As a result of the multiple advance payments on the two contracts, DHS exceeded the maximum advance payment allowed under the contracts for these two facilities for Fiscal Year 2015. Table II below details the terms and amounts of these advances, which resulted in excess payments of the maximum advance amount allowed as per DHS' Fiscal Manual by \$1,505,766.

**Table II**  
Excess Advances for Fiscal Year 2015

<b>Facility</b>	<b>Allowed Contract Advance</b>	<b>Beginning of the Year Advances</b>	<b>Remaining Allowable Advance</b>	<b>Additional ("Closeout") Advances</b>	<b>Excess Advances</b>
East 53rd Street	\$ 2,243,688	\$ 2,135,048	\$ 108,641	\$ 1,000,000	\$ (891,359)
Van Siclen	2,225,774	1,840,180	385,593	1,000,000	(614,407)
<b>Total</b>	<b>\$ 4,469,462</b>	<b>\$ 3,975,228</b>	<b>\$ 494,234</b>	<b>\$ 2,000,000</b>	<b>\$ (1,505,766)</b>

Further, DHS reported those payments issued on July 23, 2015 as "closeout advances," a type of payment that is neither mentioned nor authorized by the Fiscal Manual. According to DHS, a "closeout advance" is "not necessarily unusual. While advances are generally given at the start of a fiscal year, the agency does reserve the right to provide additional advances (as long as there is money available in the budget) as needed by the provider to continue smooth operation of the programs."

Notwithstanding the statement by a DHS official that the "closeout advances" are not unusual, the agency does not have procedures in place to properly account for such "closeout advances" and to ensure prompt full repayment. For regular advances made at the beginning of a fiscal year, the Fiscal Manual provides instructions for DHS to follow in order to fully recoup advance payments at the year-end closeout. By following these instructions, DHS can track all advances and ensure full recoupmanship. However, our review found no evidence that DHS had any similar instructions for "closeout advances." Moreover, we found no evidence that in practice DHS properly tracked "closeout advances" in a manner similar to that applicable to regular advances.

Thus, in addition to giving regular advances described in the Fiscal Manual, we found that DHS issued "closeout advances" of \$1 million to the East 53rd Street facility and another \$1 million to the Van Siclen facility. These additional advances combined with their regular advances exceeded the maximum allowed for each facility pursuant to the Fiscal Manual. While DHS recouped the total advance payments made to the East 53rd Street facility, it was unable to recoup \$346,337 of the advance given to the Van Siclen facility in the Fiscal Year 2015 closeout.

## **DHS Did Not Recoup \$346,337 in Advances**

Our audit found that DHS did not follow its own recoupmanship process as outlined in its Fiscal Manual. As a result, as of November 15, 2016, \$346,337 in advances for Fiscal Year 2015 remains outstanding. Further, we found that DHS did not adequately track outstanding recoupmgments.

DHS relies on Accelerator to process and keep track of advance payments and recoupments for adult shelters facilities such as East 53rd Street and Van Siclen. However, this system does not provide running balances of outstanding recoupments from one fiscal year to the next. According to DHS, the agency maintains an internal spreadsheet of payments made throughout the year. However, upon review of this spreadsheet, we determined that the data recorded is unreliable. Specifically, this document lacked the necessary formulas to properly calculate running balances of the recoupment; instead, an incorrect amount was manually inserted and led to errors which rendered the information unreliable.

Had DHS followed its own procedures set forth in the Fiscal Manual for issuing and recouping advance payments, it would not have exceeded or failed to recoup the advance payments. However, DHS failed to do so and did not maintain an accurate spreadsheet to keep track of excess advances.

## **Samaritan Needs to Improve Its Maintenance of In/Out Log Sheets**

Samaritan was not able to provide In/Out Log sheets for 43 of 532 client cases representing 545 “care days” provided to homeless families. DHS’ Attendance Verification Policy and Procedure 13-500 states that “it is the sole responsibility of the provider to maintain complete and accurate attendance records as proof of services rendered for invoicing purposes.” The procedure also requires that providers use both the Nightly Signature Roster sheets and In/Out Log sheets to document client attendance for family shelters in CARES. These attendance documents, in combination, determine and document the number of service days that the shelter provides and for which it may bill DHS.

While 545 “care days” were unsupported by In/Out Log sheets, our review of signed Nightly Signature Rosters and CARES case notes confirmed that clients were receiving the services for which Samaritan billed DHS. As a result, we did not disallow these “care days.”

According to Samaritan officials, at least one of the family shelter locations is prone to flooding and that may have contributed to missing In/Out Log sheets. Nonetheless, Samaritan did not properly maintain its In/Out Log Sheets to ensure its adherence to DHS’ procedures that specifically require that Samaritan use both sets of records to support its invoices. Without complete records, Samaritan is at risk of billing discrepancies for services provided.

## **Other Matters:**

### **DHS Fiscal Manual Lacks Procedures to Ensure Adequate Expenditure Reviews**

As a basic fiscal control and contract monitoring tool, DHS’ Fiscal Manual generally outlines fiscal and administrative requirements to ensure DHS’ compliance with Federal, State, and City regulations. Among these requirements, the Fiscal Manual states that “DHS Audit Services routinely conducts annual financial and compliance audits of Providers through its contracted CPA firms.” Such audits, which provide essential oversight of the individual providers’ expenditures, are supposed to be performed on a three-year cycle in which each provider is expected to be audited at least once. In addition, the Fiscal Manual states that DHS will also conduct expenditure reviews at the same time that the financial and compliance audits are being conducted in which

DHS will select a single month to review and request all supporting documents for the expenses invoiced for that month. However, DHS' Fiscal Manual does not provide specific instructions on the methodology and the frequency of these expenditure reviews.

Such reviews are an important part of DHS' efforts to monitor Samaritan's (and every other provider's) fiscal performance and to ensure that DHS obtains reasonable assurance that expenditures are appropriate and consistent with the terms of the contract. Since DHS does not require Samaritan or any of its providers to submit supporting documentation with its monthly invoices prior to payment, DHS has limited ability to ensure the validity of the expenses being billed unless DHS reviews them as stated by the Fiscal Manual. Without these reviews, some providers could be overbilling or not providing the services DHS contracted for and DHS would have limited ability to know that.

## RECOMMENDATIONS

1. DHS should recoup the outstanding advance of \$346,337 from Samaritan.

**HRA Response on Behalf of DHS:** “DHS agrees with this recommendation, and this is already in process. . . . DHS expects invoice submissions and the FY15 recoupment will occur by the end of January 2017.”

2. DHS should follow its Fiscal Manual when making advances and recoupments to better ensure that all advances paid are recouped by end of the annual closeout.

**HRA Response on Behalf of DHS:** “DHS disagrees with the recommendation. Currently, all advances made by DHS to shelter providers are recouped within the same fiscal year, or, are flagged as excesses to be carried forward when processing the fiscal year close out. It is the Agency’s practice to recoup within the same fiscal year whenever possible. However, if there are pending contract actions that prohibit [sic] the Agency’s ability to recoup within the same fiscal year, the Agency will not be able to recoup until the subsequent contract action (extension, renewal or amendment) is registered by the Office of the Comptroller.

At such time as those contract actions are registered, DHS can complete the final closeout of the prior fiscal year and recoup any advances made. Notably, advances may be directly related to a contract action not having been registered and the shelter provider requiring funds to provide essential shelter.”

**Auditor Comment:** DHS should follow its Fiscal Manual when making advances and recoupments. While DHS states that the root cause of its inability to recoup the funds was due largely to pending contract actions, the contract in question (Van Siclen) was active and did not expire until the following year.

3. DHS should ensure that advance payments made to providers do not exceed the allowed maximum advance amounts as stated in their Fiscal Manual.

**HRA Response on Behalf of DHS:** “DHS agrees with this recommendation.”

4. DHS should amend the Fiscal Manual or develop internal procedures that determine a frequency with which to conduct expenditure reviews.

**HRA Response on Behalf of DHS:** “DHS agrees with this recommendation. The DHS Fiscal manual will be revised with more detailed information pertaining to expenditure reviews, which will be conducted by the program staff going forward at regular intervals. . . . DHS plans to introduce the updated procedure and release the revised manual in late Spring 2017.”

5. Samaritan should maintain and safeguard In/Out Log sheets to ensure that “care day” billing invoices are properly supported.

**Samaritan Response:** “SDV has implemented a system to ensure better maintenance and safeguarding of the program in/out log sheets.”

## DETAILED SCOPE AND METHODOLOGY

We conducted this audit in accordance with GAGAS Performance 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.

The scope of this audit covers Fiscal Year 2015, which is the period from July 1, 2014, through June 30, 2015.

To obtain an understanding of the contractual relationship between DHS and Samaritan, we obtained all active contracts, related budgets, finalized invoices, and closeouts for Fiscal Year 2015. We obtained the following Family Shelter contracts:

- The Bridgehaven Family Residence- contract 20131412937 for the period of January 17, 2013, through June 30, 2017;
- Gloria's House- contract 20111430752 for the period of December 1, 2010, through June 30, 2015; and
- Pan Am Shelter- contracts 20151404041 and 20161400482 for the periods of June 6, 2014, through December 5, 2014 and December 6, 2014, through June 30, 2017, respectively.

We obtained the following contracts for Adult Shelters:

- Forbell Avenue Shelter- contract 20120000511 for the period of July 1, 2011, through June 30, 2015;
- Myrtle Avenue Adult Shelter- contract 20141400917 for the period of August 1, 2013, through June 30, 2018;
- East 53rd Street Shelter- contract 20141400767 for the period of July 1, 2013, through June 30, 2018; and
- Van Siclen Shelter- contract 20121419607 for the period of October 1, 2011, through June 30, 2016.

For each contract we outlined and documented the responsibilities of both parties in the form of a requirement matrix.

To understand DHS' roles and responsibilities regarding oversight of Samaritan for services rendered and payments made, we conducted walk-through meetings with DHS officials. Specifically we interviewed the Director and Deputy Director of Audit, the Director of Intake, two Program Analysts, Assistant Controller of Finance, the Deputy Commissioner for Administration, the Director and Deputy Director of Human Service Payments, the Executive Director of Housing Emergency Referral Operations (HERO), the Budget Commissioner, a Budget Analyst, and the Deputy Commissioner of the fiscal department.

To gain an understanding of the Accelerator and DHS' CARES systems used for payments and case management respectively, we conducted walk-through meetings with DHS' Chief Information Officer of the Office of Information Technology (OIT) , the Project Manager of the OIT, the Director of Application and Development of the OIT, and the System Manager of the OIT.

To further understand DHS' policies and procedures regarding payment oversight and monitoring of Samaritan as a provider, we reviewed Chapter 24-A, § 612 (8) of the New York City Charter, which outlines DHS' responsibilities to direct and supervise the management, operations, budget and funding of services for homeless individuals and families. We reviewed the Fiscal Manual, which describes the procedures over payments, advances and recoupments. In addition, we reviewed Audit Reports of Samaritan's Financial and Compliance completed by independent CPA's contracted by DHS. We also reviewed Procedure 13-500: CARES Attendance Verification and Invoicing, the Housing Emergency Referral Operations (HERO) manual: A procedural manual for family shelter placements and vacancy, Procedure 00-420 Screening and Shelter Referral: Adult Shelter Facilities, and the Care Day Calculation Ruleset.

To understand Samaritan's roles and responsibilities regarding the provision of services and operation of shelters, their internal controls, and the billing process, we conducted walk-through meetings with Samaritan officials. Specifically, we interviewed the Chief Financial Officer/Senior Vice President of Finance and Administration, the Assistant Vice President of Financial Operations, the Controller and Assistant Controller, the Director and Assistant Director of Budgets, the Director of Purchasing, the Director of Accounts Payable, the Vice President and Assistant Vice President of Real Estate and Housing, the Operations Manager, a Billing Specialist, the Payroll Manager, the Director of Human Resources, the Director of Boulevard, the Director of Bridgehaven, and an Administrative Assistant at Bridgehaven.

To determine the reliability of the information found in Accelerator and CARES we reconciled the billings and payments of all seven (7) contracts for Fiscal Year 2015. To test the accuracy and completeness of the payments, we obtained all approved and finalized (closeout) invoices submitted by Samaritan to DHS and compared them to the copies of invoices obtained from the Assistant Commissioner of Finance at DHS. We also verified this information through the City's Financial Management System by running a query on the "Payment Request History per Vendor with Check Status by Voucher Date." We then obtained copies of Samaritan's Citibank account bank statement and matched all deposits made by the City for Fiscal Year 2015 to the City's Financial Management System.

To determine the ownership of the buildings used to operate City-funded shelters, we researched the shelters' respective block and lot on the ACRIS system and documented the deeds for each property listed on the shelter contracts. We then determined whether lease agreements existed between Samaritan and landlords by obtaining lease agreements using the Accelerator system document vault. For buildings for which the lease could not be found on Accelerator, we obtained the lease directly from Samaritan. Finally, to determine whether billings were in accordance with rental agreements and amounts found on the annual budgets, we obtained the annual amount budgeted for rental expense for each site per the contract and compared it to the overall rental expenses reported to DHS on billings.

To determine if expenses for Adult Shelter facilities were billed in accordance with procedures found in the Fiscal Manual and accurately reported on the invoices submitted to DHS, we randomly selected a month for each of the four adult facilities and obtained copies of cancelled checks, supporting documents of expenses reported to DHS for the months selected, the corresponding invoices (expense reports), and corresponding bank statements. We compared the expenses recorded on Samaritan's general ledger to the expenses reported and invoiced to DHS on Accelerator. Further, we traced all expenses paid to the corresponding bank statement. We then documented whether the expenses had proper approval and were for contracted services. After our initial test of two of the four facilities we found that expenses were properly reported, approved, and supported; therefore, a decision was made not expand our testing to the remaining two adult facilities.

To determine if Samaritan is appropriately billing care days for its family facilities and determine if DHS is adequately monitoring Samaritan to ensure that all payments were made in compliance with the contracts, we randomly selected a month for each shelter to test invoices submitted for payment. After determining our sample month, we requested their respective invoice and supporting documentation, including Nightly Signature Rosters, In/Out Log sheets, and curfew violation sheets.<sup>7</sup> We analyzed the supporting documentation and evaluated whether the clients and their family members were present in the shelter for each day of the sampled month. We then compared our analysis to the invoice submitted by Samaritan to DHS for the month. We indicated instances of missing sheets and identified families where either one family member or the entire family had 48 consecutive hours or two days absences. We then entered into DHS' CARES database and researched client case notes to find additional evidence of their attendance that may not have been documented on the Nightly Signature Rosters or In/Out Log sheets.

To determine if the funds obtained by Samaritan for Family Shelters were expensed in accordance with their contract terms, for the random months previously selected, we compared the amounts found on the invoices submitted to DHS to the amounts found on internal expense reports. Further, we compared these amounts to the expenses recorded in the general ledger. We then obtained all invoices with the exception of utilities, insurance, and rents and compared them to the general ledger and determined the existence and relevance of the expense. Utilities were excluded in our selection because these expenses are evaluated by a third party vendor who monitors the individual meters located in each unit. In addition, insurance and rents for all sites were tested separately.

To determine if payroll expenses were properly reported, adequately supported, and in accordance with the approved budget we obtained all the expense reports for the seven shelter sites and corresponding annexes, and documented all the payroll expenses reported to DHS for Fiscal Year 2015. We then obtained the quarterly 941's,<sup>8</sup> NYS 45's<sup>9</sup> and the Gross Payroll reports from Samaritan, and determined if there were discrepancies. We then randomly selected 50 personnel files and reviewed the documents to verify their qualifications and to confirm whether they were valid employees.

To analyze Samaritan's compliance in procuring and maintaining all required insurance provisions for all contract agreements, we obtained the copies of all insurance policies for Fiscal Year 2015. We compared Samaritan's Certificates of Liability Insurance to the insurance requirements stated in each contract. Further, we obtained copies of all the cancelled checks used to pay each policy for the year to ensure that the policies remained active for the entire Fiscal Year 2015.

The results of the above tests, while not statistically projected to their respective populations, provided a reasonable basis for us to assess whether payments and payment rates were reasonable, appropriate, and adequately supported, whether Samaritan complied with its contracts with DHS, and whether DHS adequately monitored Samaritan to ensure that all payments were made in compliance with the contract.

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<sup>7</sup> DHS' procedures require that providers use both the Nightly Signature Roster sheets and In/Out Log sheets to document client attendance for family shelter into CARES. Curfew violation sheets are not a required document; these sheets were an internal procedure established solely by Gloria's House.

<sup>8</sup> Federal form 941 is used by employers to report income taxes, social security tax, or Medicare tax withheld from employee's paychecks, and pay the employer's portion of social security or Medicare tax.

<sup>9</sup> Each calendar quarter, the law requires liable employers to report their payroll and pay unemployment insurance contributions. They do this on the Quarterly Combined Withholding, Wage Reporting and Unemployment Insurance Return (Form NYS-45), which must be filed online. This applies even if the wages are not subject to contributions or withholding under the Personal Income Tax Law.



**Samaritan  
Daytop  
Village**

WHERE GOOD LIVES™

December 28, 2016

Marjorie Landa  
Office of New York City Comptroller Scott M. Stringer  
1 Centre Street, 13<sup>th</sup> Floor North  
New York, NY 10007

718-206-2000

138-02 Queens Boulevard  
Briarwood, NY 11435

samaritanvillage.org

Dear Ms. Landa:

In re: Audit # FP16-068A

Please see attached CAP (Corrective Action Plan) for Recommendation- Item 5, from page 8 of your preliminary draft of Audit Report on the Samaritan Daytop Village, Inc.'s compliance with its contracts with the Department of Homeless Services.

This response will also be included as part of the DHS submission.

Please call me at 718.206.2000 ext 1231 or email [Laura.Hallick@samaritanvillage.org](mailto:Laura.Hallick@samaritanvillage.org), if you have any question or require any additional information.

Sincerely,

A handwritten signature in black ink, appearing to read "Laura Hallick".

Laura Hallick

**SAMARITAN DAYTOP VILLAGE, INC**  
**AUDIT SERVICES**  
**CORRECTIVE ACTION PLAN**

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

**Audit Number:** FP16-068A

**Date:** 12/22/2016

<b>Auditor's Recommendations</b>	<b>Agency Response and Auditor's Comment</b>	<b>Responsible Unit</b>	<b>Agency Corrective Action</b>	<b>Target Date</b>
5. Samaritan should maintain and safeguard In/Out Log sheets to insure that "care day" billing invoices are properly supported	SDV has implemented a system to ensure better maintenance and safeguarding of the program in/out log sheets. This new process has standardized the filing and storage of these records at each site. This process will include random audits by the organizations compliance division to ensure all implemented controls are followed. The implementation of these processes will allow the organization to better safeguard, monitor and track the "care days"	Program Staff SDVI Compliance Dept.	Standardize Filing/Storage Compliance Audits	Completed 3/31/2017



Human Resources

Administration

Department of  
Social Services

Office of Audit  
& Quality Assurance

January 5, 2017

Steven Banks  
Commissioner

Marjorie Landa  
Deputy Comptroller for Audit  
New York City Office of the Comptroller  
1 Centre Street, room 1100  
New York, NY 10007

Saratu Grace Ghartey  
Chief Program  
Accountability Officer

Maria Ciniglio  
Deputy Commissioner

150 Greenwich Street  
New York, NY 10007  
929 221 7126

Re: Draft Audit Report on the Samaritan Daytop Village, Inc.'s Compliance with its Contracts with the Department of Homeless Services (FP16-068A)

Dear Ms. Landa:

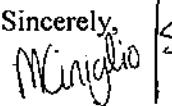
We have reviewed the referenced report, and our response, which includes a corrective action plan (CAP), is attached.

Our mission is to serve New York City's most vulnerable population in the most compassionate, efficient and effective manner, while adhering to all applicable rules, regulations and laws by which we are bound. We would like to express our sincere appreciation for the efforts that you have put into this review, as it will assist us in achieving our goals.

As our response indicates, Samaritan Village has already taken the appropriate corrective actions to safeguard the log sheets, and will implement random reviews to ensure compliance with internal controls.

DHS is also taking actions to tighten up its vendor management processes based on your recommendations. DHS is currently revising its fiscal manual to more closely align with established internal policies and procedures, specifically with regard to cash advances. In addition, a more formal process is being developed which will document how expenditure reviews of DHS shelter providers will be conducted by DHS program staff.

We are confident that our response and corresponding corrective action plan demonstrates our commitment to improving our operations going forward. Should you have any questions, please contact Klara Shoumackher, Director of the DSS Bureau of Audit Coordination at 929-221-7063.

Sincerely,  
  
Maria Ciniglio

Enclosures

c: Steven Banks, Commissioner, DSS

Tino Hernandez, President and CEO, Samaritan Daytop Village Inc.

John Iammatteo, Senior Vice President and CFO, Samaritan Daytop Village, Inc.

Jahmani Hylton, DHS Deputy Commissioner for Family Services

Saratu Ghartey, Chief Program Accountability Officer

**NYC DEPARTMENT OF SOCIAL SERVICES  
OFFICE OF AUDIT & QUALITY ASSURANCE  
CORRECTIVE ACTION PLAN**

**Audit Name:** NYCC Audit of Samaritan Daytop Village, Inc.'s Compliance with its Contracts with DHS

**Audit Number:** FP16-068A

**Date:** 1/05/2017

<b>Auditor's Recommendations</b>	<b>Agency Response and Auditor's Comment</b>	<b>Responsible Unit</b>	<b>Agency Corrective Action</b>	<b>Target Date</b>
Recommendation 1:  DHS should recoup the outstanding advance of \$346,337 from Samaritan.	DHS agrees with this recommendation, and this is already in process. DHS provided an advance of \$1 million to Samaritan's Van Siclen Facility on July 23, 2015 to cover expenses relating to essential shelter prior to the submission of invoices due to an extreme cash-flow need of the Provider. The million dollars advanced was within the annual budget for the contract and DHS fully expected the Provider's submitted expenses that fiscal year to be sufficient for DHS to fully recoup the advance. However, the Provider's FY15 closeout expenses fell short of budget, therefore requiring the excess of the advance to be carried over for recoupment into the following fiscal year. At the end of fiscal year 2016, the Van Siclen contract was fully expended and faced renewal in fiscal year 2017. The 2017 renewal was originally submitted to the Comptroller on November 7, 2016 and finally registered December 3.  DHS expects invoice submissions and the FY15 recoupment will occur by the end of January 2017.	DHS/Finance	Recoupment of FY15 Advance	February 1, 2017

**NYC DEPARTMENT OF SOCIAL SERVICES  
OFFICE OF AUDIT & QUALITY ASSURANCE  
CORRECTIVE ACTION PLAN**

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**Audit Number:** FP16-068A

**Date:** 1/05/2017

<b>Auditor's Recommendations</b>	<b>Agency Response and Auditor's Comment</b>	<b>Responsible Unit</b>	<b>Agency Corrective Action</b>	<b>Target Date</b>
Recommendation 2:  DHS should follow its Fiscal Manual when making advances and recoupments to better ensure that all advances paid are recouped by closeout.	DHS disagrees with the recommendation. Currently, all advances made by DHS to shelter providers are recouped within the same fiscal year, or, are flagged as excesses to be carried forward when processing the fiscal year close out. It is the Agency's practice to recoup within the same fiscal year whenever possible. However, if there are pending contract actions that prohibit the Agency's ability to recoup within the same fiscal year, the Agency will not be able to recoup until the subsequent contract action (extension, renewal or amendment) is registered by the Office of the Comptroller.  At such time as those contract actions are registered, DHS can complete the final closeout of the prior fiscal year and recoup any advances made. Notably, advances may be directly related to a contract action not having been registered and the shelter provider requiring funds to provide essential shelter.	DHS/Finance	None	

**NYC DEPARTMENT OF SOCIAL SERVICES  
OFFICE OF AUDIT & QUALITY ASSURANCE  
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<b>Auditor's Recommendations</b>	<b>Agency Response and Auditor's Comment</b>	<b>Responsible Unit</b>	<b>Agency Corrective Action</b>	<b>Target Date</b>
Recommendation 3:  DHS should ensure that advance payments made to providers do not exceed the allowed maximum amounts.	DHS agrees with this recommendation. Prior to 2014, the DHS Fiscal Manual allowed for additional advances beyond maximum amounts if managerial approval was obtained. The 2014 Manual limited maximum amounts of advances permitted to the providers to an advance of 2/12 (or 16.6%) of the total contract year budget. But, unofficially, DHS continued to review requests for additional funding as needed. In order to reflect this practice, DHS will amend the Manual to permit additional requests of advances with managerial approval should cash-flow needs make the advance necessary.  DHS plans to introduce the updated procedure and release the revised Fiscal Manual at the Providers' year-end training, to be held in late Spring 2017.	DHS/Finance	Edit DHS Fiscal Manual	Spring 2017

**NYC DEPARTMENT OF SOCIAL SERVICES  
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**Audit Number:** FP16-068A

**Date:** 1/05/2017

<b>Auditor's Recommendations</b>	<b>Agency Response and Auditor's Comment</b>	<b>Responsible Unit</b>	<b>Agency Corrective Action</b>	<b>Target Date</b>
Recommendation 4:  DHS should amend the Fiscal Manual or develop internal procedures that determine a frequency with which to conduct expenditure reviews.	DHS agrees with this recommendation. The DHS Fiscal Manual will be revised with more detailed information pertaining to expenditure reviews, which will be conducted by the Program staff going forward at regular intervals. A corresponding procedure will also be developed which outlines the formal review process by program type (Families, Adult Families, and, Single Adults).  DHS plans to introduce the updated procedure and release of the manual at the Providers' year-end training to be held in late Spring 2017.	DHS/Finance	Revise Fiscal Manual	Late Spring 2017

**NYC DEPARTMENT OF SOCIAL SERVICES  
OFFICE OF AUDIT & QUALITY ASSURANCE  
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**Audit Number:** FP16-068A

**Date:** 1/05/2017

<b>Auditor's Recommendations</b>	<b>Agency Response and Auditor's Comment</b>	<b>Responsible Unit</b>	<b>Agency Corrective Action</b>	<b>Target Date</b>
Recommendation 5:  Samaritan Village should maintain and safeguard In/Out Log sheets to ensure that "care day" billing invoices are properly supported.	Samaritan Daytop Village has implemented a system to ensure better maintenance and safeguarding of the program in/out log sheets. This new process has standardized the filing and storage of these records at each site.  This process will include random audits by the organization's compliance division to ensure all implemented controls are followed. The implementation of these processes will allow the organization to better safeguard, monitor and track the "care days".	Program Staff SDVI Compliance Dept.	Standardize Filing/Storage  Compliance Audits	Completed  3/31/2017