AUDIT AT A GLANCE

The Administration for Children's Services' Oversight of Prime Vendors' Use of Subcontractors

What questions did the audit look at?

- Did the New York City Administration for Children's Services (ACS) properly oversee its prime vendors' subcontractors, including approval, vetting, and payment?

Why does it matter for New Yorkers?

New York City's Health and Human Services (HHS) agencies provide critical services to New Yorkers, typically provided through HHS contracts between agencies and non-profit providers. These organizations (prime vendors) sometimes enter into subcontract agreements with other vendors (subcontractors).

Due to a history of risks in the City's subcontracting process, the Comptroller audited five of the City's HHS agencies to examine their subcontractor relationships, including ACS.

The audit found that ACS did not always ensure that prime vendors obtain required approvals before hiring subcontractors. As a result, between Fiscal Years 2022 and 2024, unauthorized subcontractors were paid over $1.8 million. In addition, ACS did not enforce the requirement that prime vendors document or record all subcontractors and payments made to them.

Because subcontractors do not deal directly with the City, it is critical that primes ensure that their subcontractors are competent, properly vetted, and paid fairly. Without adequate oversight, the City risks overpaying and supporting unapproved or under-qualified organizations, potentially undermining service quality and wasting taxpayer dollars.

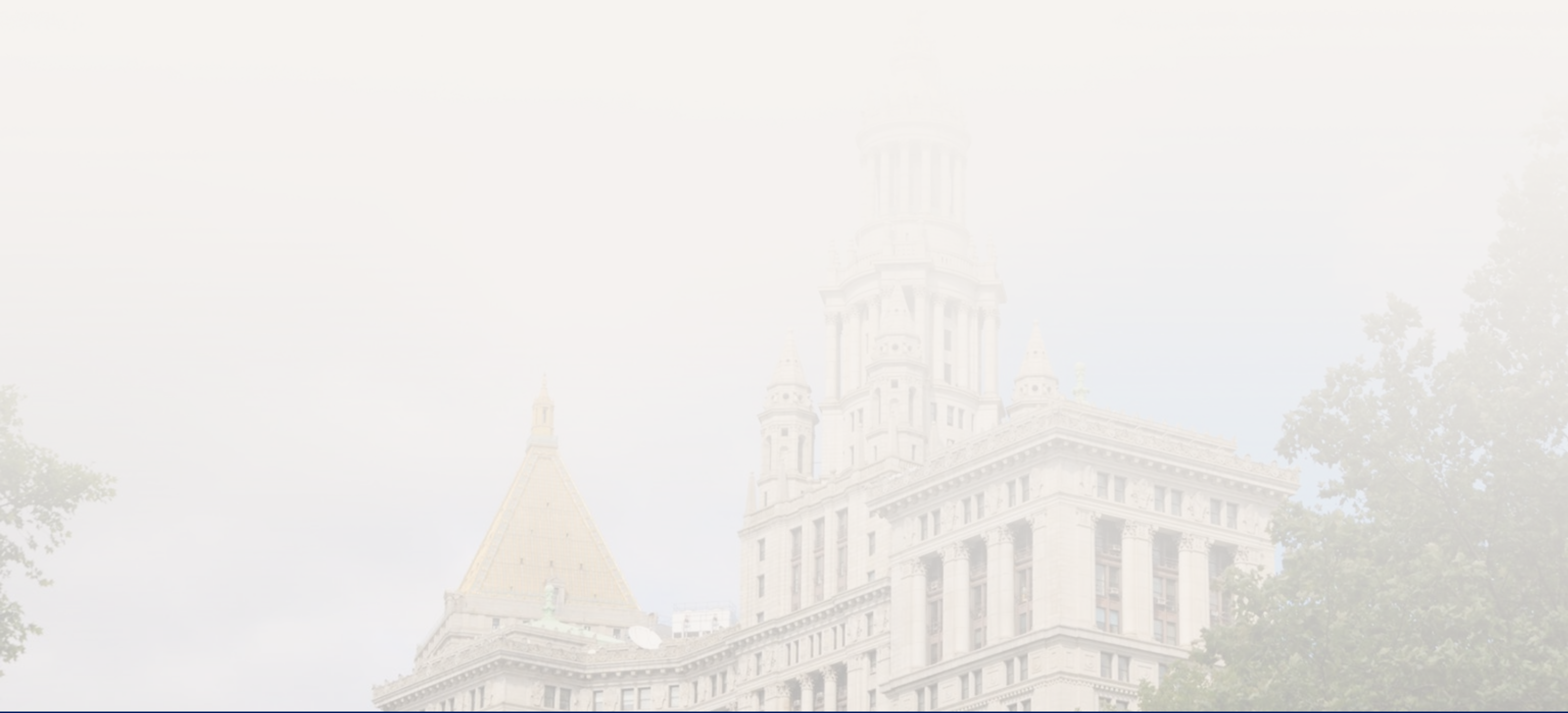
What changes did the agency commit to make following the audit?

- ACS agreed to improve oversight by ensuring that prime vendors submit subcontractors for approval and document the vetting process.
- ACS agreed to implement the Department of Investigation's (DOI) 2021 recommendations to City agencies.
- ACS agreed to consider increasing its use of M/WBE contractors.

AUDIT FINDINGS

- Unauthorized subcontractors were paid over $1.8 million between Fiscal Years 2022 and 2024.
- ACS did not ensure that prime vendors documented or recorded all subcontractors and payments made to them.
- ACS did not implement some recommendatiosn made by the Department of Investigation in 2021.

	Audit Recommendations	Agency Response
1	Prevent payments to unapproved subcontractors by periodically reviewing prime vendors' general ledgers and include as part of its examination of subcontractors' agreements and invoices.	**DISAGREED**
2	Ensure that prime vendors are submitting subcontractors' information including sub agreements and payment information as required in PASSPort (previously PIP and HHS systems).	**AGREED**
3	Document the process of vetting and conducting background checks of the proposed subcontractors.	**AGREED**
4	Review subcontract agreements for prompt payment stipulation and ensure that prime contractors are providing prompt payments to their subcontractors.	**DID NOT ADDRESS**
5	Implement DOI's 2021 recommendations to City agencies. Comply with MOCS and MORMC policies and directives created to provide guidance in the implementation of the recommendations.	**AGREED**
6	Consider increasing its use of M/WBE contractors and encourage the agency's prime vendors to increase their use of M/WBE subcontractors.	**AGREED**



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