AUDIT AT A GLANCE

The Department for the Aging's Oversight of Prime Vendors' Use of Subcontractors

What questions did the audit look at?

- Did the New York City Department for the Aging (NYC Aging) 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 NYC Aging.

The audit found that NYC Aging did not always ensure that prime vendors obtain the required approvals before hiring subcontractors. Additionally, there is no evidence that approved subcontractors were properly vetted and that prime vendors documented and recorded all subcontractors and payments made to them.

As a result, between Fiscal Years 2022 and 2024, unauthorized subcontractors were paid over $2.2 million. Some prime vendors were reimbursed for payments that were never made.

Also, the auditors found that NYC Aging failed to implement some recommendations made by the Department of Investigation (DOI) in 2021 geared toward strengthening oversight of subcontractors.

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?

- NYC Aging did not respond to any of the recommendations.

AUDIT FINDINGS

- Unauthorized subcontractors were paid over $2.2 million between Fiscal Years 2022 and 2024.
- NYC Aging reimbursed prime vendors for payments to subcontractors that were never made.
- No evidence that approved subcontractors were properly vetted.

	Audit Recommendations	Agency Response[1]
1	Prevent payments to unapproved subcontractors by carefully reviewing invoices submitted by the prime vendors, periodically reviewing prime vendors' general ledgers, and requesting and reviewing subcontractors' agreements and invoices.	**DID NOT RESPOND**
2	Ensure that prime vendors are submitting subcontractors' information including sub agreements and payment information as required in PASSPort (previously PIP and HHS systems).	**DID NOT RESPOND**
3	Document the process of vetting and conducting background checks of proposed subcontractors.	**DID NOT RESPOND**
4	Ensure that competitive bidding is conducted by prime vendors when selecting subcontractors.	**DID NOT RESPOND**
5	Review subcontract agreements for prompt payment stipulations and ensure that prime contractors are paying their subcontractors in accordance with those stipulations.	**DID NOT RESPOND**
6	Ensure costs for goods and services provided by subcontractors are actually incurred by prime vendors as a condition of reimbursement from the City.	**DID NOT RESPOND**
7	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.	**DID NOT RESPOND**
8	Consider increasing its use of M/WBE contractors and encourage the agency's prime vendors to increase their use of M/WBE subcontractors.	**DID NOT RESPOND**

[1] The agency response stated that they agreed with the report's findings but did not specify whether they agreed or disagreed with the recommendations.