AUDIT AT A GLANCE

The Department of Health and Mental Hygiene's Oversight of Prime Vendors' Use of Subcontractors

What questions did the audit look at?

- Did the New York City Department of Health and Mental Hygiene (DOHMH) 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 DOHMH.

The audit found that DOHMH paid about $2.9 million to unauthorized subcontractors between Fiscal Years 2022 and 2024. Because prime vendors did not consistently obtain prior approval for their use—some were approved 706 days (almost two years) late. These subcontractors were not always documented in City tracking system. Also, many subcontractor invoices were paid late, ranging from 32 to 214 days after the invoices' posted dates.

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?

- DOHMH agreed to ensure that only subcontractors formally approved by a specific contract are paid.
- DOHMH agreed to improve its tracking and recordkeeping procedures.
- DOHMH agreed to ensure that prime vendors conduct competitive bidding when selecting subcontractors and that invoices are paid promptly.

AUDIT FINDINGS

DOHMH paid $2.9 million to unauthorized subcontractors from FYs 2022 to 2024.

DOHMH did not ensure that subcontractors were paid on time.

Subcontractors were not properly documented in City databases.

NEW YORK CITY COMPTROLLER
BRAD LANDER

September 25, 2025 | FP24-068A

	Audit Recommendations	Agency Response
1	Ensure that payments on contracts for subcontracting expenses are for vendors that have been approved by DOHMH to be subcontractors on those contracts.	AGREED
2	Prevent payments to unapproved subcontractors by carefully reviewing HHS invoices submitted by the primes. Continue to periodically review prime vendors' general ledgers and request and review subcontractors' agreements and invoices.	AGREED
3	Ensure that prime vendors are submitting subcontractors' information including sub agreements and payment information as required in PASSPort (previously PIP and HHS systems).	AGREED[1]
4	Make all reasonable efforts to ensure that FMS accurately reflects subcontractor approvals and industry classifications.	AGREED
5	Document the process of vetting and conducting background checks of proposed subcontractors.	DISAGREED[2]
6	Ensure that competitive bidding is conducted by prime vendors when selecting subcontractors.	AGREED
7	Review sub agreements and ensure that prime contractors are providing prompt payments to its subcontractors.	AGREED[3]
8	Consider increasing its use of M/WBE contractors and continue to encourage the agency's prime vendors to increase their use of M/WBE subcontractors.	DISAGREED[4]

[1] DOHMH agreed with this recommendation and stated that it has already been implemented.
[2] DOHMH said that the recommendation was unnecessary, stating that it already has a process in place allowing it to document the results of subcontractors' reviews. However, DOHMH did not consistently document the vetting process.
[3] DOHMH agreed with this recommendation, stating that it has already been partially implemented.
[4] DOHMH said that the recommendation is unnecessary because it already regularly uses M/WBE vendors when contracting for goods, professional, construction, and standard services. The agency stated that it "will continue to prioritize the utilization of M/WBE prime vendors and will continue to encourage prime vendors to utilize M/WBE subcontractors."