



AUDIT AT A GLANCE

The Department of Social Services' Oversight of Prime Vendors' Use of Subcontractors

What questions did the audit look at?

- ▶ Did the New York City Department of Social Services (DSS) 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 DSS.

The audit found that the Human Resources Administration (HRA) and Department of Homeless Services (DHS) (two administrative units of DSS) did not enforce a requirement that prime vendors document or record subcontractors and the payments made to them. For HRA specifically, the agency did not always ensure that primes obtained prior approval before hiring subcontractors.

As a result, between Fiscal Years 2022 and 2024, unauthorized subcontractors were paid over \$1.7 million.

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?

- ▶ DSS agreed to confirm that prime vendors are submitting subcontractors' information in City databases (PASSPort) as required, including sub agreements and payment information.
- ▶ DSS agreed to review subcontract agreements and ensure that prime vendors are promptly paying subcontractors.

AUDIT FINDINGS



Unauthorized subcontractors were paid over \$1.7 million between Fiscal Years 2022 and 2024.



DSS did not ensure that prime vendors documented or recorded all subcontractors and payments made to them.



HRA did not always ensure that prime vendors obtain prior approval before hiring subcontractors.



Audit Recommendations		Agency Response
1	Prevent payments to unapproved subcontractors by carefully reviewing invoices submitted by the primes, periodically reviewing prime vendors' general ledgers, and requesting and reviewing 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).	PARTIALLY AGREED¹
3	Document the process of vetting and conducting background checks of proposed subcontractors.	DISAGREED
4	Ensure that competitive bidding is conducted by prime vendors when selecting subcontractors.	DISAGREED
5	Review subcontract agreements for prompt payment stipulations and ensure that prime contractors are paying their subcontractors in accordance with those stipulations.	PARTIALLY AGREED²
6	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.	DISAGREED
7	Continue to increase its use of M/WBE contractors and encourage the agency's prime vendors to increase their use of M/WBE subcontractors in Human Service contracts.	DISAGREED

¹ DSS stated that it "did require that all prime vendors submit all payments in the PIP and HHS Accelerator. However, there were many technical issues with the PIP." The agency also stated that PASSPort is now the system in place and that agencies can now confirm that payments are made to subcontractors through a "Payment Validator" function.

² DSS stated that, "With the introduction of the PASSPort subcontracting modules, DSS has been emphasizing the requirements for all prime vendors to have timely payments to third parties issued, documented and validated in PASSPort."