



AUDIT AT A GLANCE

City Oversight of Subcontractors on Health and Human Services Contracts

What questions did the audits look at?

- ▶ Did New York City's four Health and Human Services (HHS) agencies properly oversee prime vendors' subcontractors, including approval, vetting, and payment?

Why does it matter for New Yorkers?

New York City's HHS agencies provide critical services to New Yorkers, typically through 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 the City's HHS agencies to examine their subcontractor relationships, including the Department of Health and Mental Hygiene (DOHMH), Administration for Children's Services (ACS), Department for the Aging (NYC Aging), and the Department of Social Services (DSS) agencies, which is comprised of the Human Resources Administration (HRA) and the Department of Homeless Services (DHS).

The audit found that, from Fiscal Years 2022 to 2024, prime vendors paid a total of more than \$8.6 million to unauthorized subcontractors. Agencies could not provide evidence showing that subcontractors were consistently vetted or tracked. Also, each agency had different practices for payment terms, with no standard requirements for primes to pay subcontractors quickly. Use of M/WBE subcontractors was also very low, with less than 5% of dollars going to M/WBE firms.

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 agencies commit to make following the audit?

- ▶ In general, the four agencies agreed to strengthen oversight by ensuring that subcontractors are properly approved, documented, vetted, and fully entered into City systems before payments are made.

AUDIT FINDINGS



The City's prime vendors paid \$8.6 million to unauthorized subcontractors.



Guidance concerning subcontractor payment is inconsistent.



Agencies did not ensure that subcontractors were paid on time.



Audit Recommendations	Agency Responses			
	DOHMH	NYC Aging	ACS	DSS
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.	AGREED	AGREED	DISAGREED	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	AGREED	AGREED	PARTIALLY AGREED
3 Document the process of vetting and conducting background checks of proposed subcontractors.	AGREED ¹	AGREED	AGREED	DISAGREED
4 Ensure that competitive bidding is conducted by prime vendors when selecting subcontractors.	AGREED	AGREED	NOT APPLICABLE	DISAGREED
5 Review subcontract agreements for prompt payment stipulations and ensure that prime contractors are paying their subcontractors in accordance with those stipulations.	AGREED	AGREED	DID NOT ADDRESS	PARTIALLY AGREED
6 Ensure costs for goods and services provided by subcontractors are actually incurred by prime vendors as a condition of reimbursement from the City.	NOT APPLICABLE	AGREED	NOT APPLICABLE	NOT APPLICABLE
7 Implement DOI's 2021 recommendations to City agencies and comply with MOCS' policies and directives created to provide guidance for their implementation.	NOT APPLICABLE	AGREED	AGREED	DISAGREED
8 Consider increasing their use of M/WBE contractors and encourage their prime vendors to increase their use of M/WBE subcontractors.	PARTIALLY AGREED ²	AGREED	AGREED	DISAGREED

¹ DOHMH agreed with this recommendation and stated that it has already been implemented.

² DOHMH found this recommendation unnecessary, arguing that it already uses M/WBE vendors.