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# The Administration for Children's Services' Oversight of Prime Vendors' Use of Subcontractors on Health and Human Services Contracts

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# Audit Impact

## Summary of Findings

The audit found that the Administration for Children's Services (ACS) does not always ensure that prime vendors obtain the required approvals from the agency before hiring subcontractors, and for those that are approved, the agency lacks evidence that they were properly vetted. As a result, unauthorized subcontractors were paid over \$1.8 million during the audit scope period of Fiscal Years 2022 through 2024.

In addition, ACS did not enforce the requirement that prime vendors document or record all subcontractors and payments made to them in the Payee Information Portal (PIP) and HHS Accelerator, and the agency lacks a mechanism to ensure that subcontractors are paid by prime vendors in a timely manner for the work performed. The audit also found that some of the recommendations made by the New York City Department of Investigation in 2021 geared toward strengthening oversight of subcontractors utilized on City contracts were not implemented. Finally, the audit found that none of the monies spent on sampled contracts' for-profit subcontractors went to Minority and Women-Owned Business Enterprises.

## Intended Benefits

The audit identified a need for improvement in ACS' oversight of prime vendors to prevent the use of unapproved subcontractors, late payments to subcontractors, and to provide complete and transparent information to the City.

# Introduction

## Background

New York City Health and Human Services (HHS) agencies enhance the health and well-being of New Yorkers by providing services like foster care, homeless shelters, senior centers, mental health services, and family services.<sup>1</sup> Typically, these services are provided through human services contracts between City agencies and non-profit providers.

ACS, one of the City's HHS agencies, is responsible for protecting and promoting the safety and well-being of New York City's children by providing child welfare, juvenile justice, and early care and education services. In child welfare, ACS provides preventive services to help support families at risk, as well as foster care services for children who are unable to safely remain at home. In juvenile justice, ACS manages and funds services including detention and placement, intensive community-based alternatives for youth, and support services for families. ACS also funds and coordinates the early care and education programs for close to 100,000 children eligible for subsidized care.

ACS contracts with non-profit and for-profit providers referred to as "prime vendors." Prime vendors sometimes enter into subcontract agreements with other vendors to ensure that they are complying with contractual terms. For example, ACS may contract with a prime vendor to provide foster care services, which may in turn enter into an agreement with one or more subcontractors that offer group home services outside of the City's jurisdiction for children in need of such services.

ACS is required to follow the New York State Office of Children and Family Services' (OCFS) Standards of Payment for Foster Care of Children. The Standards of Payment consists of "mandates and procedures used to establish maximum state aid reimbursement rates (MSAR) for the foster care of children." ACS pays the prime vendors monthly based on the applicable MSAR and the applicable foster parent stipend rate set by OCFS or ACS in accordance with the budget.

Since there is no direct contractual relationship between the City and subcontractors, the City relies on prime vendors to ensure that selected subcontractors are appropriately competitive and competent, and that costs are contained and risks are managed. These expectations in turn hinge on agencies exercising proper oversight of prime vendors.

## City Policies and Procedures for Use of Subcontractors

The Procurement Policy Board (PPB) Rules § 4-13 requires that all subcontractors be approved by the agency before commencing work on the subcontract, and that the vendor provides any documentation requested by the agency to show that the proposed subcontractor has the necessary facilities, skill, integrity, past experience, and financial resources to perform the

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<sup>1</sup> 9 RCNY §1-01(e)

required work. Documentation may include but is not limited to: (1) completed VENDEX questionnaires;<sup>2</sup> (2) references; (3) licenses; and (4) documentation showing that the subcontractor has been certified by the Department of Small Business Services as an Emerging Business Enterprise (EBE) or a Minority and Women-owned Business Enterprise (M/WBE), if applicable.

Section 3.02 A-2 (a) of Appendix A, included as part of all human service contracts, stipulates that “the contractor shall not enter into any subcontract for an amount greater than \$20,000 without the prior approval by the Department of the subcontractor [...] In addition, the Contractor shall list the proposed subcontractor in the City’s Payee Information Portal.” Both PPB Rules and Appendix A require that the contracting agency approve subcontracts. Appendix A specifies that subcontracts valued at more than \$20,000 need approval.

The City of New York Health and Human Services Cost Policies and Procedures Manual require that subcontractors on human services contracts be listed in Payee Information Portal (PIP) (currently listed in PASSPort). It states that for any subcontract valued at more than \$20,000 the subcontractor must be prequalified in HHS Accelerator. In addition, it states that “subcontractors are approved for work on human service contract when the Department approves the subcontractor in PIP or in written communications with the Contractor.”

Finally, all subcontract agreements must be in writing (with a copy of the agreement provided to the agency upon request), and the prime contractor must report all payments made to the subcontractor in PASSPort (previously in PIP).

## ACS’ Subcontracting Process

ACS follows its own subcontracting process, which is consistent with PPB Rules and Appendix A. ACS’ human services contracts may use subcontractors to provide foster care services outside of New York City’s jurisdiction (e.g., Upstate New York). For subcontracts less than \$20,000, vetting is not required and automatic approval is granted. For subcontracts valued at more than \$20,000, the prime vendor or the program unit must reach out to the Agency Chief Contracting Officer (ACCO) for approval.

The ACCO makes a Responsibility Determination for subcontractors by checking PIP and PASSPort over the last three years of evaluations to determine whether there have been any issues with prior City contracts. The ACCO also reviews the Financial Management System (FMS), VENDEX, and Annual Tax filings to determine whether there are any liens against the vendor, and searches Google to determine whether there are any negative news reports or articles pertaining to the vendor.

After the ACCO’s office completes its vetting process, the program unit requests the subcontract agreement from the prime vendor. The prime enters the subcontractor information into PASSPort, and the ACCO approves the subcontract in PASSPort, which in turn is reflected in FMS. If the

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<sup>2</sup> According to the VENDEX vendor questionnaire, “[VENDEX] includes two questionnaires- the vendor questionnaire and the principal questionnaire. These have been developed to collect information from vendors who wish to do business with New York City, to ensure that New York City obeys the mandate in its charter to do business only with responsible vendors.”

subcontract is valued at more than \$250,000 the ACCO also requests that the prime file a disclosure in PASSPort and a vendor check from DOI as part of the Responsibility Determination. If approved, ACS emails the prime vendor notifying them of the subcontract approval.

## City Systems Involved in HHS Subcontract Process

During the audit scope period from FY2022 through FY2024, most HHS agencies used the following systems in the subcontracting process:

- **HHS Accelerator:** The centralized procurement and contract financial management tool for New York City's Client and Community Service Providers.
- **Payee Information Portal (PIP):** A system that allows vendors to manage their account information and view their financial transactions with the City.
- **Financial Management System (FMS):** The City's centralized accounting and budgeting system.
- **PASSPort:** The City's end-to-end digital procurement platform.

On July 31, 2024, HHS Accelerator was taken offline and all procurement processes were transferred to PASSPort. In addition, on September 23, 2024, all subcontractor management previously handled through PIP was also transferred to PASSPort. Since completion of the audit, all subcontractor functionalities previously managed through PIP and HHS Accelerator have now transitioned to PASSPort, which manages every stage of the procurement process.

## ACS' System Use

ACS' system use is different in some respects to other HHS agencies. For example, for security reasons and to preserve children's confidentiality, ACS only uses FMS to make payments to prime contractors for human services contracts. During the audit scope period, ACS did not use HHS Accelerator or PIP as generally required, and it is still not clear to what extent it will use PASSPort now that the transition has been made by other agencies. At a meeting held on November 25, 2024, ACS stated that they are working with the primes and with PASSPort to see how much subcontractor information can be included in the new module.

ACS also uses the following systems:

- **Benefits Issuance and Control System (BICS)** is used by the Program Unit and Finance Unit to calculate payments to the prime contractors.
- **Child Care Attendance Processing System (CAPS)** and **Statewide Services Payment System (SSPS)** are used by the Finance Unit to generate information on children in foster care based on care days entered by prime contractors

## Historical Issues

The subcontracting process has historically been plagued with a history of risks including unapproved and/or unvetted subcontractors and reports of nepotism. The New York City

Comptroller, New York State Comptroller, and New York City Department of Investigation (DOI) have leveled complaints and raised questions in a series of audits and reports which generally concluded that HHS agencies exercise inadequate oversight of their subcontractors.<sup>3 4 5</sup>

For instance, in its 2021 report, *Corruption Vulnerabilities in the City's Oversight and Administration of Not-for-Profit Human Services Contracts*, DOI identified numerous instances in which vendor employees were supervised by family members within the vendor organization, apparently without the knowledge and authorization of the funding City agency, and in violation of the Human Services Standard contract which mandates prior written consent for such situations.

The DOI report also found that the implementation of the Standard Health and Human Services Invoice Review Policy issued by the Mayor's Office of Contract Services (MOCS) has actually reduced the amount of documentation being collected by some agencies such as DOHMH and within certain programs at DSS. DOI recommends instead that "agencies collect more supporting documentation and conduct reviews in a targeted, risk-based manner in order to identify 'disallowed' expenses prior to payment."

In October 2024, another DOI report (*DOI's Examination of Compliance Risks at City-Funded Homeless Shelter Providers and the City's Oversight of Shelter Providers*) reiterated many of the recommendations issued in the 2021 report.<sup>6</sup> The report noted that "while the City has implemented some reforms since the 2021 Report and is also undertaking some work that closely tracks DOI's recommendations, many of the recommendations from 2021 have not been implemented at any substantial level."

Due to the history of risks in the City's subcontracting process, on August 30, 2023, the Comptroller's Office initiated a series of audits focused on agency oversight of prime vendors' use of subcontractors in health and human services contracts to assess whether HHS agencies conduct proper oversight over the subcontracting process, and to suggest improvements to mitigate the risk of fraud, misuse and waste of City funds. Five HHS agencies were selected for these audits: the Administration for Children's Services (ACS), the Department of Homeless Services (DHS), the Human Resources Administration (HRA), the Department of Health and Mental Hygiene (DOHMH), and the Department for the Aging (NYC Aging). This specific report examines ACS' oversight.

The audit also looked at the use of M/WBEs by HHS contracts. Although there are no M/WBE requirements for HHS contracts, increased use of M/WBEs can help the City meet its participation goals.

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<sup>3</sup> *Audit Report on the Department of Social Services' Administration of the Pandemic Food Reserve Emergency Distribution Program*, Office of the New York City Comptroller Brad Lander, May 15, 2024.

<sup>4</sup> *Oversight of Contract Expenditures of Bowery Residents' Committee*, Office of the New York State Comptroller, December 30, 2021.

<sup>5</sup> *DOI Report on Corruption Vulnerabilities in the City's Oversight and Administration of Not-for-Profit Human Services Contracts*, November 2021.

<sup>6</sup> *DOI's Examination of Compliance Risks at City-Funded Homeless Shelter Providers and the City's Oversight of Shelter Providers*, October 2024.

## Objective

The objective of this audit was to assess whether ACS established proper oversight over the subcontracting process, and to suggest improvements to mitigate the risk of fraud, misuse, and waste of City funds.

## Discussion of Audit Results with ACS

The matters covered in this report were discussed with ACS officials during and at the conclusion of this audit. An Exit Conference Summary was sent to ACS on May 22, 2025. On June 11, 2025, we submitted a Draft Report to ACS officials with a request for written comments. We received a written response on June 27, 2025. In its response, ACS agreed with four recommendations (#2, 3, 5 and 6), disagreed with one recommendation (#1), and did not clearly address one recommendation (#4).

ACS' written response has been fully considered and, where relevant, changes and comments have been added to the report.

The full text of ACS' response is included as an addendum to this report.

# Detailed Findings

There are several deficiencies in ACS' oversight of its prime vendors and subcontractors. The audit found that ACS does not always ensure that prime vendors obtain the required approvals from the agency before hiring subcontractors; for those that are approved, there is no evidence that they were properly vetted. As a result, unauthorized subcontractors were paid over \$1.8 million during the scope period of Fiscal Years 2022 through 2024.

The audit found that ACS did not enforce the requirement that prime vendors document or record all the subcontractors they use and the payments made to them in PIP and HHS Accelerator. ACS also lacks a mechanism to ensure that subcontractors are paid by prime vendors for the work performed in a timely manner, which may affect the continued operation and provision of services by subcontractors.

Regarding the 2021 DOI report, the audit found that ACS has not implemented four of the seven DOI recommendations related to agencies' oversight of prime vendors' subcontracting. The Mayor's Office of Contract Services (MOCS) indicated that it is currently working on creating new policies, such as a revised Standard Invoice Review Policy, and working on reforming vendor compliance audits to provide guidance to agencies in implementing DOI's recommendations.

The audit also attempted to examine ACS' use of M/WBE vendors on its human services contracts by examining the use of for-profit subcontractors in the sampled contracts.<sup>7</sup> However, auditors were unable to determine the overall percentage of subcontractors that were M/WBEs because ACS does not have a complete record of subcontracting vendors. For the sampled contracts, the audit found that two of the seven subcontractors utilized were for-profit firms, but neither were M/WBEs. A total of \$2.03 million was paid to these seven subcontractors during FYs 2022 through 2024. Even though these contracts do not fall under the City's mandatory M/WBE participation goals, which require a certain percentage of contracting dollars to be awarded to M/WBEs, their use could help the City achieve its broader M/WBE participation goals.

## ACS' Oversight of Prime Vendors' Use of Subcontractors Is Inadequate

ACS does not have a mechanism to independently confirm the subcontractors used by prime vendors or review prime vendors' ledgers to determine who is being paid and whether there are any previously unidentified subcontractors. Prime vendors also did not submit evidence of payments to subcontractors in the HHS system and PIP, as required. Finally, ACS does not document its subcontractor vetting and background checking processes.

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<sup>7</sup> These contracts do not fall under the City's mandatory M/WBE participation goals that require a certain percentage of contracting dollars be awarded to M/WBEs.

## ACS' Prime Contractors Paid Over \$1.8 Million to Subcontractors Not Authorized to Work on Sampled Contracts

The audit found that ACS does not reliably confirm that its prime contractors hire only approved and vetted subcontractors. A review of sampled contracts found that subcontractors not approved to work on sampled contracts received more than \$1.8 million in payments from prime contractors.

Section 4-13 of the PPB Rules requires that all subcontractors be approved by the agency before commencing work on a subcontract.

The audit randomly selected four contracts awarded to three prime vendors. According to Checkbook, two of the contracts used two subcontractors, and the other two contracts did not use subcontractors. In reviewing the general ledgers of these primes, however, the auditors found five *additional* subcontractors for three of these contracts—including one that reportedly did not use any subcontractors—that were not approved by ACS. Table 1 below details the sampled contracts' use of unapproved vendors.

**Table 1: Sampled Vendor Contracts Utilizing Subcontractors Not Approved Under these Contracts**

Prime Vendor	Prime Vendor Contract #	Unapproved Subcontractor	Fiscal Year	Prime Vendor Payment to Unapproved Subcontractor
New Alternatives for Children Inc.	20228800165	The New York Foundling	2022–2023	\$61,000
		Geneva Worldwide Inc.	2022–2023	\$28,671
		Klingberg Comprehensive Family Services	2022–2023	\$22,403
The Children's Village	20238800192	Lutheran Family Services in the Carolinas	2022–2024	\$140,211
	20228800117	Julia Dyckman Andrus Memorial		\$1,559,153
<b>Total</b>				<b>\$1,811,438</b>

As shown in Table 1, the auditors' review of the primes' general ledgers revealed that the primes paid a total of \$1.8 million to subcontractors without following the approval process, and at times without ACS' knowledge.

In response to the above findings, ACS stated that The New York Foundling and Geneva Worldwide Inc. do not need to be approved because they are not subcontractors but are "subject matters experts that do not perform or directly deliver part of the prime contractor's programmatic contractual obligations." ACS' prime contract with New Alternatives for Children Inc. calls for the vendor to provide specialized foster care, including educational services to foster children; aligned

with that obligation, The New York Foundling provides tutoring services to children in care and Geneva Worldwide, Inc. provides language services.

NYC Health and Human Services Cost Policies and Procedures Manual defines a subcontractor as “hired on a health and human services contract [...] to perform or directly deliver a part of the prime contractor’s programmatic contractual obligations.” Based on this definition, the aforementioned organizations are clearly subcontractors and are subject to agency approval.<sup>8</sup>

In the case of Julia Dyckman Andrus Memorial, ACS stated that the subcontractor had been approved under a different contract, not the sampled contract (#20228800117).<sup>9</sup> However, in the auditors’ review of The Children’s Village’s general ledger for the sampled contract, the prime made payments to the subcontractor apparently unbeknownst to ACS.

In addition, ACS explained that it had obtained the subcontract agreement for Klingberg Comprehensive Family Services (Klingberg) (which started providing services to a foster child on May 25, 2022) and had requested, but not yet received, the subcontract agreement for Lutheran Family Services (Lutheran). ACS also stated that they have not made any reimbursement to these two prime contractors on behalf of these subcontractors.<sup>10</sup>

Auditors were unable to confirm ACS’ assertion that these prime contractors were not reimbursed for these subcontractors; due to the voluminous nature of the documentation included in the invoice packages submitted by prime contractors, the auditors’ review was limited to a sample of such packages. There is no record of agency approval entered in PIP for either subcontractor, or in any other record provided to the auditors. This means that, regardless of payment status, unapproved subcontractors have been used by the prime contractor to provide services on behalf of the agency—in some cases without proper vetting by ACS.

The MOCS Standard HHS Invoice Review Policy states that as part of the post-payment review, agencies should utilize contractors’ payroll and general ledgers to conduct sampling and testing of specific line-items throughout the fiscal year. ACS currently requires primes to include subcontractors’ invoices when submitting invoice packages to the agency for review, but it does not conduct any additional testing involving prime vendors’ general ledgers. To prevent payments to primes for unapproved subcontractors, ACS should also periodically review prime vendors’ general ledgers to better ensure that (1) the agency is aware of all subcontractors used by primes on contracts; (2) only approved subcontractors are hired, invoiced to ACS, and paid; and (3) that

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<sup>8</sup> In its response to the Draft Report, ACS continued to argue that New York Foundling and Geneva Worldwide, Inc. were not subcontractors because they did not provide foster care services on the sampled contracts; instead, ACS argued that they were used as “subject matter experts.” The auditors continue to contend that the services provided by these vendors fall under the category of educational services that are contractually required to be provided under these contracts. The auditors find no basis to change this finding.

<sup>9</sup> In its response, ACS argued that this vendor was approved under a contract with Children’s Village. However, as indicated in the report, the contract number cited by the agency in its response (#20238800187) differs from the sampled contract’s number (#20228800117).

<sup>10</sup> In its response, ACS argued that Klingberg Comprehensive Family Services and Lutheran Family services should be removed from the audit findings because they were never paid by ACS. As is stated in the report, regardless of whether these vendors were reimbursed by ACS, services were allowed to be provided on these contracts by vendors that were not vetted to ensure that they were capable of satisfactorily performing the contracted services.

prime vendors are submitting such documentation as required in PASSPort (previously PIP and HHS systems).

## Insufficient Evidence that ACS Vetted Approved Subcontractors

Even though ACS' policy requires that subcontracts valued at \$20,000 or more undergo a "Responsibility Determination" (vetting) process, the auditors did not find evidence that this was conducted for the sampled contracts.

As previously discussed, the audit sample consisted of three prime vendors awarded four contracts that used seven subcontractors (two approved and five unapproved). Even though ACS' policy requires that proposed subcontractors be vetted and that background checks be conducted for subcontracts valued at \$20,000 or more, the auditors did not find any supporting documents showing that ACS did so. As a result, the auditors could not determine with certainty whether ACS actually conducted these checks. In addition, for Human Services contracts, ACS did not require that prime vendors use the Subcontractor Approval Form (SAF). The SAF is used to assist agencies in the subcontractor approval process and ensure uniformity in the collection of data.

The auditors conducted an online search for information on the unapproved subcontractors and found several liens on three of them—The New York Foundling, Geneva Worldwide, and Lutheran Family Services in the Carolinas. The auditors discussed this information with ACS and determined that the agency took appropriate steps to address the issues found. The records show that ACS performed responsibility determinations and, in conjunction with the implementation of corrective action plans to address the findings, concluded that the contractor could provide the services.

ACS did state that, going forward, it would save information found in its background checks and will begin using a modified version of the SAF found in PASSPort. Documenting these processes may help address questions raised during the approval process and can serve ACS as reference if needed in the future.

## Subcontractors Not Consistently Recorded in PIP

According to Appendix A of the Human Service Contracts, prime contractors are required to enter all proposed subcontractors in PIP, regardless of subcontract value.<sup>11</sup> Entering subcontractors' information in City systems provides transparency and helps with tracking payments. The primes were required to list information on the subcontractors used (regardless of dollar amount) in PIP.

However, ACS did not ensure that all subcontractors were approved in PIP in a timely manner, if at all. For two subcontractors associated with two sampled ACS contracts, delays in approval ranged from 76 to 204 days after the subcontract start date. Table 2 below shows these delays.

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<sup>11</sup> As of September 23, 2024, subcontractor management is no longer conducted in PIP. All procurement processes are now conducted in PASSPort.

**Table 2: Sampled Subcontractor Delays of PIP Approval**

Prime Vendor	Value of Prime Contract	Value of Subcontract	Contract #	Subcontractor	Subcontract Start Date	Date Sub approved in PIP	Number of days between start date and approval in PIP
New Alternatives for Children Inc.	\$7,651,328	\$60,000	20228800165	Glove House Inc.	7/1/2021	1/21/2022	204
The Children's Village	\$9,754,616	\$36,994	20238800192	Berkshire Farm Center & Services for Youth	2/9/2023	4/26/2023	76

As shown in Table 2, for two of the sampled subcontracts, delays ranged from 76 days to 204 days — from the start date noted in the subcontract to the date ACS approved the subcontract in PIP. ACS stated that there were challenges in getting vendors registered in PIP and, in the future, ACS' Procurement Unit will require all subcontractors to be filed in PASSPort prior to final approval, as part of the subcontractor process.

It is critical that ACS exercise better oversight over this system. ACS should ensure that prime contractors record subcontractors in the system and that ACS approves the subcontracts in a timely manner as required, especially when dealing with a vulnerable population of children who depend on the services provided by subcontractors.

The audit also found that ACS did not maintain a reliable subcontractor listing; the agency's listing of approved subcontractors contained subcontractors under different contract numbers. ACS explained that when a contract is renewed, a new contract number is assigned, which may be part of the reason why some subcontractors are listed under different contract numbers. However, because ACS did not ensure that the prime contractors promptly entered information in PIP, and since other processes are done outside the normal systems, ACS should periodically update its list of approved subcontractors to reflect any possible changes. A key part of oversight is monitoring services provided—in this case, specifically to determine who is providing these services and noting any changes that are made.

## No Payment Information for Subcontractors in PIP

Appendix A of the contract states that once subcontractors are approved by agencies, prime vendors are required to report payments they make to subcontractors in PIP within 30 days. However, the audit found that none of the sampled prime vendors did this. As a result of this inadequate recordkeeping, it is impossible for the auditors to fully analyze the use of subcontractors by ACS' prime vendors.

ACS stated that the prime vendors may not have been aware of this requirement, and that, going forward, it will ensure that primes report this information in PASSPort.

## ACS Does Not Ensure Timely Payment to Subcontractors

According to PPB Rules Section 4-06 – *Prompt Payments*, the City must pay its prime vendors within 30 days of receipt of an invoice. The City has not established any mandatory timeframe for prime vendors' payments to subcontractors; however, the subcontract agreements that primes enter into with their subcontractors should delineate an appropriate timeframe. Further, MOCS has developed a *Standard Subcontract Agreement* template that may be used by primes; according to that template, payment is generally due upon receipt of a proper invoice from the subcontractor.

The audit found that ACS does not monitor prime contractors' prompt payments to subcontractors. A review of 13 payments to subcontractors on the sampled contracts found that seven (56%) were paid more than 30 days after receipt of invoices. For one of the sampled prime vendors, The Children's Village, the audit found that all seven invoices submitted by one of its subcontractors (Berkshire Farms) were paid late. The total amount of these invoices was \$20,797, and they were paid anywhere from 32 to 216 days after the invoice date. The auditors confirmed that primes did not submit invoices requesting reimbursement for subcontractor expenditures on the sampled contracts prior to paying those subcontractors.

These subcontractors provide essential services to foster children and paying them promptly is of the utmost importance. It is crucial that ACS more closely monitor prime contractors and ensure that they are inputting the required information in the City system. ACS did state that it has informed The Children's Village that they must enter all subcontracts and payment documentation related to Berkshire Farms in PASSPort going forward. For the sake of transparency and tracking, ACS should put in place mechanisms to ensure that subcontractors are being paid in a timely manner for essential services provided.

## Inconsistent Guidance Concerning Payment of Subcontractors

As noted above, under the PPB Rules, City agencies must pay prime vendors within 30 days of receipt of an invoice, but there is no established timeframe in which prime vendors must pay their subcontractors. As also noted above, MOCS has established a subcontractor agreement template which recommends that primes make payments to subcontractors upon receipt of an invoice, but this is not mandatory. Because prime vendors and subcontractors enter into their own agreements, payment terms vary considerably. For example, The Children's Village's subcontract agreement with Berkshire Farms (referenced above) stipulated that "[p]ayment will be rendered within 60 days." A payment made 60 days after receipt of an invoice is not considered standard for either City or day-to-day business; payment is generally expected within 30 days of receipt of invoice. ACS should ensure that subcontract agreements provide prompt payment to subcontractors.

# DOI's Recommendations Related to Subcontractor Oversight Have Not Been Fully Implemented

In its 2021 report, DOI made 23 recommendations intended to “strengthen the budgeting, invoicing, and auditing of the nonprofit contracts.”<sup>12</sup> Of these, 18 were directed at the respective agencies and five were directed at MOCS. Of the 18, seven recommendations can be considered recommendations that relate to agencies' oversight of primes' subcontracting.

The auditors found that ACS has not implemented four of the seven recommendations. ACS stated that the recommendations were Citywide recommendations and referred the audit team to MOCS to discuss implementation of these recommendations. On April 22, 2025, our office met with MOCS and the Mayor's Office of Risk Management and Compliance (MORMC) to discuss the implementation of the DOI recommendations by the agencies. MOCS explained that along with MORMC it is working with HHS agencies through a Health and Human Services Vendor Compliance Cabinet to develop and issue Citywide policies to try to implement DOI's recommendations. The auditors note in this regard that DOI Report's recommendations were published in 2021, approximately four years ago. MOCS later communicated in a June 2025 email that the City is in the process of implementing the first DOI recommendation. (Appendix I shows the list of seven recommendations, with those not implemented by ACS in bold.)

Taking a proactive approach to ensuring that prime contractors are complying with their contracts and City policy will strengthen ACS' oversight responsibilities and benefit the City as a whole.

## M/WBE Spending

### None of the Spending on For-Profit Subcontractors on Sampled Human Services Contracts Went to M/WBEs

Human Services contracts do not fall under the City's mandatory M/WBE participation goals. In its annual report on M/WBE procurement, our office stated that Human Services contracts accounted for the largest share—in both volume and value—of contracts in FY2024.<sup>13</sup> A third of ACS' contracts are Human Services contracts, accounting for \$1,063,126,348 (33%) of the \$3,214,589,099 spent on prime contracts during FY2024. According to Checkbook NYC, 0.42% of the funds spent on prime contracts in FY2024 were paid to M/WBEs.

The audit attempted to identify the extent to which Human Services contracts used M/WBE vendors as subcontractors, but Checkbook NYC and FMS did not have sufficient information on payments to subcontractors because ACS failed to ensure that prime vendors recorded subcontractor payments in PIP, as required. Due to the lack of information in PIP regarding ACS'

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<sup>12</sup> [23NFPRelease.Rpt.11.10.2021.pdf](#)

<sup>13</sup> [Annual Report on M/WBE Procurement: FY24 Findings and Recommendations](#), issued in February 2025 by the Bureau of Contract Administration.

subcontractors and payment amounts, auditors could not identify the total number of subcontractor payments on all ACS' Human Services contracts or the percentage of such payments that went to M/WBEs. Because of this, the auditors' testing was limited to the sampled contracts.

Auditors obtained the general ledgers for FYs 2022 through 2024 for the sampled contracts and calculated the total payments to subcontractors during those years. The auditors found seven subcontractors (two approved and five unapproved) used on the sampled contracts during FYs 2022 through 2024, two of which are for-profit vendors for which M/WBE firms could have been utilized. (Not-for-profit firms are not eligible for M/WBE certification.) A review of the two for-profit subcontractors revealed that neither was certified as an M/WBE by SBS. Total payments made to the two for-profit subcontractors amounted to \$168,882 from FYs 2023 through 2024. Auditors encourage ACS to consider increasing its use of M/WBE subcontractors on its Human Services contracts in the future to assist the City in meeting its broader equity goals.

# Recommendations

To address the abovementioned findings, the auditors propose that ACS:

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.

**ACS Response:** ACS disagreed with this recommendation and continued to content that payments were not issued to unapproved subcontractors during the indicated period.

**Auditor Comment:** The auditors found the unapproved subcontractors during the review of the prime vendors' general ledgers. Even if ACS has not reimbursed the prime contractors for the unapproved subcontractors, their unauthorized usage by the prime was noted in the payments made and reported in their general ledgers. It is important that ACS periodically review general ledgers to ensure that only vetted and approved subcontractors are delivering services.

2. Ensure that prime vendors are submitting subcontractors' information including sub agreements and payment information as required in PASSPort (previously PIP and HHS systems).

**ACS Response:** ACS agreed with this recommendation.

3. Document the process of vetting and conducting background checks of the proposed subcontractors.

**ACS Response:** ACS agreed with this recommendation.

4. Review subcontract agreements for prompt payment stipulation and ensure that prime contractors are providing prompt payments to their subcontractors.

**ACS Response:** ACS' response did not address this recommendation.

**Auditor Comment:** The auditors urge ACS to implement this recommendation to ensure that subcontractors are paid promptly for services provided.

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.

**ACS Response:** ACS agreed with this recommendation.

6. Consider increasing its use of M/WBE contractors and encourage the agency's prime vendors to increase their use of M/WBE subcontractors.

**ACS Response:** ACS agreed with this recommendation.

## Recommendations Follow-up

Follow-up will be conducted periodically to determine the implementation status of each recommendation contained in this report. Agency reported status updates are included in the Audit Recommendations Tracker available here: <https://comptroller.nyc.gov/services/for-the-public/audit/audit-recommendations-tracker/>

# Scope and Methodology

We conducted this performance audit in accordance with Generally Accepted Government Auditing Standards (GAGAS). GAGAS requires that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions within the context of our audit objective(s). This audit was conducted in accordance with the audit responsibilities of the City Comptroller as set forth in Chapter 5, §93, of the New York City Charter.

The scope of this audit was Fiscal Year 2022 through Fiscal Year 2024.

To obtain an understanding of the ACS organizational structure and operations related to the subcontracting process, and the roles of the staff in the management of the subcontractors, auditors requested for review organization charts identifying employees involved with all aspects of the subcontracting process, including approval, the vetting, the responsibility determination, the monitoring, and the payment process.

To obtain an understanding on the utilization of subcontractors in human services contracts, auditors reviewed the PPB Rules for all relevant rules and regulations related to subcontracting, the Appendix A, *General Provisions Governing Contracts For Consultants, Professional Technical, Human, And Client Services*, Local Law 1 of 2013, the NYC Comptroller's Directives #2: Cost Reimbursable Contract Payment Request Audits and #4: Contract Agency Monitoring and Reporting; the Standard HHS Invoice Review Policy; the Standard HHS Invoice Review Policy; and the *DOI Report on Corruption Vulnerabilities in the City's Oversight and Administration of Not-for-Profit Human Services Contracts* issued in November 2021.

To gain an understanding of the subcontracting approval and payment process, auditors interviewed officials from the Office of Contracts, the Program Unit, and the Division of Finance Services. Furthermore, auditors conducted observations with the officials of these units that play a role in the process.

To evaluate ACS' internal controls and further determine whether the ACS complies with the utilization of subcontractor-related policies and procedures, and get an understanding of the relevant rules and regulations, auditors obtained the following for review: (1) PPB Rules, (2) TAD Turnaround Document MWBE Prime for the Fiscal Years 2021–2023, (3) ACS Payment Systems, (4) Administrative-Non HHS LL1 Applicable Contracts (FY22 & FY23), (5) MOCS M/WBE procedures, (6) Foster care subcontractor list, (7) Streamlining subcontracting, and (8) ACS Sub Approval Process and any relevant information obtained from ACS' website or units. Auditors also determined whether ACS complied with relevant requirements in applicable policies and regulations reviewed. Auditors documented their understanding of ACS' internal controls and procedures through flowcharts and narrative memoranda. Auditors also recorded and evaluated results of their preliminary analysis and determined which areas required further testing.

To assess ACS' compliance with the procedures and rules, and to see if the agency has internal controls in place, auditors generated a list of ACS' active prime vendors for the Industry Type "Human Services" that utilize subcontractors from the Checkbook database. Using the Regression Analysis of Time Series (RATS) database, auditors randomly selected two prime vendors—New Alternatives for Children Inc. and Berkshire Farm Center & Services for Youth—that used subcontractors and reviewed all the contract information and payments related to prime vendors and their subcontractors for Fiscal Years 2022 to 2024.

To assess the reliability of the data related to subcontracting of human services contracts information maintained by ACS, auditors compared this information to subcontracting information reported in Checkbook database, FMS, PIP, Bureau of Contract Administration (BCA) for Fiscal Years 2022 and 2023 obtained for sampled prime vendors and subcontractors. Auditors compared these data to determine the accuracy and completeness. Furthermore, to determine whether payments made to subcontractors are tracked and properly reported, auditors compared payments made to subcontractors reported in FMS, Checkbook, and PIP for sampled prime vendors and subcontractors. To ensure that ACS is properly monitoring the subcontractor process, auditors compared ACS' approved subcontractor listing to BCA and FMS subcontractor records for Fiscal Years 2022 to 2023.

To determine whether sampled subcontractors have been paid for the services they provided and verify the proof of payments reported in HHS Accelerator, auditors conducted site visits to all the prime vendors' premises to obtain the general ledger reports for review. Auditors verified that the prime vendors' payment information in the general ledger included the sampled subcontractors and whether the correct amounts were paid by comparing them to HHS Accelerator amounts. Furthermore, auditors determined whether the general ledger included potential subcontractors that were not approved by ACS' ACCO.

In addition, to determine whether the prime vendors were paying the subcontractors in a timely manner, auditors obtained the invoices with proof of payment and calculated the time between the invoice dates and the dates the payments were made to the two approved subcontractors in our sampled contracts.

Auditors further reviewed PASSPort, Accurint, Google, and OAISIS information on sampled subcontractors and prime vendors for any red flags or relevant information.

Even though human services contracts are not required to meet Local Law 1 of 2013 M/WBE utilization requirement, the audit attempted to identify the extent to which human services contracts used M/WBE vendors as subcontractors. However, since Checkbook NYC and FMS did not have sufficient information on payments to subcontractors, auditors could not identify the total number of subcontractor payments on all ACS' human services contracts or the percentage of such payments that went to M/WBEs. Because of this, the auditors' testing was limited to the sampled contracts. Auditors obtained the general ledgers for FYs 2022 through 2024 for the sampled contracts and calculated the total payments to subcontractors during those years. The auditors researched which of these sampled subcontractors were for-profit and looked them up in Small Business Services to determine whether they were certified M/WBE and the share of payments that went to them.

The results of the above tests, while not projectable to their respective populations, provided a reasonable basis for the auditors to evaluate and support their findings and conclusions regarding whether ACS has established proper oversight over the subcontracting process.

# Appendix I

## DOI's 2021 Recommendations Not Implemented by ACS

DOI Recommendation Number	DOI Recommendation	As Per Information Provided by MOCS on June 9, 2025
1	Agencies should require human services contractors to complete a standard disclosure and certification form that will assist in identifying potential conflicts of interest and noncompliance with the City's competitive bidding requirements. A proposed disclosure and certification form is attached as Appendix 1.	<p>The City is in the process of implementation:</p> <ul style="list-style-type: none"> <li>The NYC Conflict of Interest and Related Party Transactions Policy and Guidance for Contractors of Human Services was adopted by the HHS Vendor Compliance Cabinet on January 28, 2025, was issued by MOCS Directive to HHS Agencies on March 3, 2025, and was issued to vendors by DFTA on or around April 16, 2025.</li> </ul> <p>The required disclosure questions will be added to the HHS Prequalification Application in August 2025, and vendors will respond with applicable disclosures when they next submit a Prequalification Application.</p>
4	Agencies should direct and train budget review staff to implement standard operating procedures similar to those identified in Appendix 4 to review proposed subcontractor expenses. The review should include determinations of whether subcontractors have been entered into the City's Payee Information Portal and whether subcontractors have completed PassPort disclosures as required. It should also include a basic integrity review of each subcontractor, including whether subcontractors are related to key people at the contractor, as well as review of documentation to ensure that there was a bona fide competitive bidding.	MOCS and MORMC are working along with the HHS Vendor Compliance Cabinet on Citywide policy to be implemented in the future.
8	Agencies should require contractors to submit a general ledger report	MOCS and MORMC are working along with the HHS Vendor Compliance

DOI Recommendation Number	DOI Recommendation	As Per Information Provided by MOCS on June 9, 2025
	supporting each HHS Accelerator invoice. Agency staff should review the general ledger report to confirm expenses support the invoiced amounts and are allocated properly prior to approving payment.	Cabinet on Citywide policy to be implemented in the future.
9	Agencies should review a more significant sample of supporting documentation prior to approving payment, and should provide more specific guidance to agency staff as to what factors in a payment request warrant further review.	MOCS and MORMC are working along with the HHS Vendor Compliance Cabinet on Citywide policy to be implemented in the future.
11	Agencies should evaluate whether the contractor's procurement policies are subject to appropriate internal controls and that competitive bidding is employed as required.	MOCS and MORMC are working along with the HHS Vendor Compliance Cabinet on Citywide policy to be implemented in the future.
13	Agencies should require that program staff, who are best prepared to identify inappropriate or disallowable expenses, review and approve invoices to confirm expenses are consistent with program operations.	
15	Agencies should conduct audits for any provider that cannot provide requested backup documentation in accordance with the Standard Invoice Review Policy during the fiscal year.	



June 27, 2025

Maura Hayes-Chaffe  
Deputy Comptroller for Audit  
Office of the Comptroller  
1 Centre Street  
New York, NY 10007

**Jess Dannhauser**  
Commissioner

**Eden Hauslaib**  
Chief Accountability Officer

**Jennifer Fiellman**  
Assistant Commissioner

**RE: Audit Report on the Administration for Children's Services'  
Oversight of Prime Vendors Use of Subcontractors on Health and  
Human Services Contracts (FP24-067A)**

Dear Deputy Comptroller Hayes-Chaffe:

150 William Street  
7th Floor  
New York, NY 10038

Thank you for the opportunity to review and comment on the City Comptroller draft report, ACS' Oversight of Prime Vendors Use of Subcontractors on Health and Human Services Contracts.

As the City's child welfare agency responsible for children placed in foster care by the Family Courts, it is both critical and in the best interest of children placed in foster care that ACS identify and swiftly facilitate the most appropriate resources for them. The Health and Human Services Contracts sampled and reviewed by the auditors, as a result, were all Foster Care Provider contracts. Through a rigorous Request for Proposals (RFP) process and comprehensive best practices oversight, ACS contracts with not-for-profit foster care providers ("FC Providers") to provide foster care services for New York City children who cannot safely remain at home. ACS works closely with FC Providers to ensure children's safety and well-being; to provide services to parents to address the reasons for the foster care placement; and to achieve the core goal of child permanency, including family reunification. ACS also works closely with the New York State Office of Children and Family Services (OCFS) and New York Family Courts in each of the five boroughs, which has jurisdiction over foster care cases.

As discussed during the audit, foster care contracts are not processed through HHS or PASSPort due to child and family confidentiality and all requests for reimbursement are manually reviewed and processed.

ACS program, procurement and finance divisions have roles in the review and approval of subcontracts. Payment is not reimbursed to FC Providers (prime vendors) unless supporting documentation—which includes copies of approved subcontract, PIP screen and proof of payment from the FC Provider Prime to the subcontract—are reviewed and approved for processing.

## Audit Findings:

### ACS' Prime Contractors Paid Over \$1.8 Million to Subcontractors

ACS disagrees with the audit report's conclusion and criticism regarding the proper vetting of sub-contractors and payments issued.

As discussed during the audit and in response to preliminary findings, ACS contends that payments totaling \$1.8 million were not issued to unauthorized sub-contractors during the indicated period and ACS affirms that payments were issued appropriately and accurately to prime vendors as reimbursement on behalf of approved subcontracts.

The reference provided by the City Comptroller cited the NYC Health and Human Services Cost Policies and Procedures Manual defining a subcontractor as *"hired on a health and human services contract [...] to perform or directly deliver a part of the prime contractor's programmatic contractual obligations."*

ACS contends that when the Prime Vendor is contracting out some portion of its foster care responsibilities under the contract, it is only then considered a Subcontract. The audit is in error in categorizing Purchase of Service (POS) contracts as programmatic subcontracts, as these contracts were for language services and tutoring.

For example, there are some instances when the appropriate foster home resources are not geographically available in New York City, such as when resource relatives live elsewhere in New York State. In such cases, it becomes necessary for ACS' FC Providers to subcontract with a local foster care provider, which will serve to monitor the foster home. It should be noted that in New York State, New York State OCFS authorizes any voluntary agency which provide foster care services.

ACS maintains our position that other vendors-services, such as New York Foundling and Geneva Worldwide, Inc., were miscategorized as subcontractors by the auditors and did not provide foster care services on the sampled POS contracts. The New York Foundling and Geneva Worldwide, Inc., were not subcontractors to human services providers engaged in connection with a health and human service contract based on the definition referenced by the audit team but were instead subject matter experts that did not perform or directly deliver a part of the prime contractor's programmatic contractual obligations. Specifically, Geneva Worldwide provided language services and New York Foundling provided tutoring services to children in care.

ACS also disagrees with the audit report's inclusion and criticism of two purported subcontracts for Klingberg Comprehensive Family Services and Lutheran Family Services in the Carolinas. These subcontracts were never requested, approved or paid by ACS. ACS believes they should be removed from the audit findings.

The audit report also makes reference to Julia Dyckman Andrus Memorial, as a subcontract to Children's Village, an FC Provider. Approved sub-contract for this vendor were in place.

- The subcontracts for Julia Dyckman Andrus Memorial were approved under The Children's Village PIP Contract CT1-068-20238800187, which was registered in PIP on 6/16/22 with a start date of 7/1/22 and an expiration date of 6/30/23.

- These subcontracts were subsequently processed under The Children's Village PIP Contract CT1-068-20248800046, which is an extension of CT1-068-20238800187 that expired effective 6/30/23.

In summary, ACS disagrees with the audit report's suggestion of \$1.8 million paid to subcontractors were not authorized.

ACS requires all prime contractors to submit all subcontract agreements. ACS does not issue reimbursement to prime vendors for a subcontract until it is submitted, reviewed, and approved.

ACS processes foster care reimbursement to prime vendors for foster care approved subcontracts through FMS, which used is the official system for tracking of payments.

#### Insufficient Evidence that ACS Vetted Approved Subcontractors

Per MOCS, Form 65-A has been replaced by the PASSPort subcontractor approval module. Moving forward, ACS will utilize the PASSPort subcontractor approval module to store all prior approvals, document the vetting process, and approve subcontractor requests.

ACS acknowledges challenges in getting vendors registered in PASSPort. ACS will require prime vendors to forward all PASSPort renewals related to active contracts. As part of the subcontractor approval process, ACS will require all subcontractors to be filed in PASSPort prior to final approval.

As stated, ACS does not process payments to prime vendors unless all supporting subcontract documents, including the printed screen of the subcontract entered in PASSPort, a copy of the approved subcontract, and supporting documentation with invoices and proof of subcontract payment are submitted, reviewed and approved.

#### Subcontractors Not Consistently Recorded in PIP

ACS will utilize the PASSPort subcontractor approval module to store all prior approvals, document the vetting process, and approve subcontractor requests.

ACS acknowledges challenges in getting vendors registered in PIP. As part of the subcontractor approval process, Procurement will require all subcontractors to be filed in PASSPort and PIP prior to final approval.

Additionally, ACS had ensured that all prime vendors that with approved subcontracts were listed in PIP prior to reimbursement. As noted above, ACS contends that vendors-services [purchase of service contracts] were miscategorized as subcontractors. ACS also disagrees with the audit report's inclusion and criticism of two subcontracts Klingberg Comprehensive Family Services and Lutheran Family Services in the Carolinas. These subcontracts were never requested, approved, or paid by ACS.

#### No Payment Information for Subcontractors in PIP

With the implementation of the PASSPort Subcontractor module, ACS will utilize the PASSPort subcontractor approval module to ensure that requisite approvals, documentation of the vetting process, and approval subcontractor requests are reflected.

As noted, ACS has acknowledged challenges in getting vendors registered in PIP. As part of the subcontractor approval process, ACS will require all subcontractors to be filed in PASSPort and PIP prior to final approval. In the past, some prime vendors may not have been aware of the payment reporting requirement in PIP. ACS will work with Prime Vendors regarding the need to report this information in the Subcontract Module PASSPort which replaced PIP.

Additionally, the Financial Management System (FMS) is the City's official record of payments issued to contracted vendors and all of the approved subcontract payments are evidenced in FMS.

#### ACS Does Not Ensure Timely Payment to Subcontractors

As noted in the audit report, New York City does not have a mandatory timeframe for prime vendors payments to subcontractors; however, the subcontract agreements that prime vendors enter into with their subcontractors should delineate an appropriate timeframe.

ACS does not deem it our responsibility to monitor when the Prime Vendor issues payment to their subcontractor, but rather to ensure that ACS appropriately reimburses the Prime Vendor for payments issued to the subcontractors based on proof of approval of subcontract and proof of payment to a subcontractor.

As discussed, the foster care contracts reviewed by the auditors were not processed through PASSPort. As explained, ACS' process review requires verification that payment was issued by the Prime Vendor to the Subcontractor before ACS reimburses the Prime Vendor.

#### Inconsistent Guidance Concerning Payment of Subcontractors

As noted in the audit report, MOCS has established a subcontractor agreement template which recommends that the Prime Vendor make payments to subcontractors upon receipt of an invoice; however, this is not mandatory. Because prime vendors and subcontractors enter into their own agreements, payment terms may vary considerably.

ACS recognizes the prompt payment best practices and will seek to incorporate this practice in the program areas' contract management business processes.

#### **DOI's Recommendations Related to Subcontractor Oversight**

As discussed with the audit team, ACS works closely with MOCS and the Mayor's Office of Risk Management and Compliance (MORMC) and will continue to do so to address DOI recommendations. MOCS discussed the City's response to DOI in a June 2025 communication with the City Comptroller.

#### **M/WBE Spending**

##### None of the For-Profit Subcontractors on Sampled Human Services Contracts Went to M/WBE's

As stated by the City Comptroller, human service contracts are not subject to M/WBE goals. However, all M/WBE that qualify under the HHS Prequalification can apply to any of our

RFP for Human Services. ACS also encourages all vendors to include M/WBE vendors when seeking quotes for goods or services. It should be noted, the majority of approved subcontracts were Non-Profit Vendors, which are not eligible for inclusion on the M/WBE list given their governance structure.

### **Audit Recommendations and ACS Response**

**Recommendation #1: Prevent payments to unapproved subcontractors by periodically reviewing prime vendors' general ledgers and requesting and reviewing subcontractors' agreements and invoices.**

#### **ACS Response:**

ACS contends that payments were not issued to unapproved subcontractors during the indicated period and affirms that payments were issued appropriately and accurately to prime vendors as reimbursement on behalf of approved subcontracts.

As discussed during the audit and in this response, ACS' process is to review and approve sub-contractor agreements upon initiation of the prime vendors request to subcontract. ACS also reviews approved subcontractor invoices and proof of payment prior to reimbursing the prime vendor for any subcontract expenses.

**Recommendation #2: Ensure that prime vendors are submitting subcontractors' information including sub agreements and payment information as required in PASSPort (previously PIP and HHS systems).**

#### **ACS Response:**

ACS will ensure that all prime vendors list approved subcontracts in PIP. With recent MOCS requirements that require subcontracts are registered and documented in PASSPort, ACS will ensure that foster care prime vendors document payments in PASSPort.

**Recommendation #3: Document the process of vetting and conducting background checks of the proposed subcontractors.**

#### **ACS Response:**

Per MOCS, Form 65-A has been replaced by the PASSPort subcontractor approval module. Moving forward, ACS will utilize the PASSPort subcontractor approval module to store all prior approvals, document the vetting process, and approve subcontractor requests.

As discussed during the audit and noted in the response, ACS had acknowledged challenges in getting vendors registered in PASSPort. As part of the subcontractor approval process, ACS will require all subcontractors to be filed in PASSPort prior to final approval.

As noted above, it is both critical and in the best interest of children placed in foster care that ACS identify and facilitate the most appropriate resources for them. ACS' practice therefore requires providers to obtain programmatic subcontractor approval before starting services.

ACS will ensure that prior approvals are stored in PASSPort as part of the new PASSPort subcontract approval process. Additionally, ACS will require prime vendors to forward all PASSPort renewals related to active contracts.

**Recommendation #4: Review subcontract agreements for prompt payment stipulation and ensure that prime contractors are providing prompt payments to their subcontractors.**

**ACS Response**

As discussed, ACS will utilize the PASSPort subcontractor approval module to store all prior approvals, document the vetting process, and approve subcontractor requests.

ACS has noted challenges in getting vendors registered in PASSPort. As part of the subcontractor approval process, ACS will require all subcontractors to be filed in PASSPort prior to final approval.

ACS does will not process payments to prime vendors unless all supporting subcontract documents, including the printed screen of the subcontract entered in PASSPort, a copy of the approved subcontract, and supporting documentation with invoices and proof of subcontract payment are submitted, reviewed and approved.

**Recommendation #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.**

**ACS Response**

This is a Citywide matter. Information was shared with the City Comptroller by MOCS in June 2025.

**Recommendation #6: Consider increasing its use of M/WBE contractors and subcontractors.**

**ACS Response**

As noted by the City Comptroller, human service contracts are not subject to M/WBE goals. However, all M/WBE that qualify under the HHS PQL can apply to any of our RFPs for Human Services. ACS also encourages all vendors to include M/WBE vendors when seeking quotes for goods or services.

Thank you for the opportunity to respond to the audit report and support for ACS' work for children and families of New York City.

Sincerely yours.

A handwritten signature in blue ink, appearing to read "Jennifer Fiellman", with a long horizontal flourish extending to the right.

Jennifer Fiellman  
Assistant Commissioner

## Attachment

**Table Re: Sampled Vendor Contracts Utilizing Subcontractors Not Approved Under these Contracts**

**(Draft Report – Page 8)**

Prime Vendor	Prime Vendor Contract #	Unapproved Subcontractor	Fiscal Year	Prime Vendor Payment to Unapproved Subcontractor	ACS Response
New Alternatives for Children Inc.	20228800165	The New York Foundling	FYs 2022–2023	\$61,000	Not a Subcontract
		Geneva Worldwide Inc.	FYs 2022–2023	\$28,671	Not a Subcontract
		Klingberg Comprehensive Family Services	FYs 2022–2023	\$22,403	Subcontract was not requested or approved by ACS. Prime did not seek reimbursement
The Children’s Village	20238800192	Lutheran Family Services in the Carolinas	FYs 2022–2024	\$140,211	Subcontract was not requested or approved by ACS. Prime did not seek reimbursement
	20228800117	Julia Dyckman Andrus Memorial		\$1,559,153	Approved Subcontract Prime Reimbursed \$991,479.24
<b>Total</b>				<b>\$1,811,438</b>	

**Table Re: ACS Reimbursement to Children's Village (re: Julia Dyckman)**

As noted in the body of the response, per ACS review, ACS provided a total of \$991,479.24 in reimbursement to The Children's Village. (Not \$1,559,153.00 as stated by the City Comptroller).

ACS records reflect the following payments issued to approved subcontractors under the following approved subcontracts:

[illegible]





NEW YORK CITY COMPTROLLER  
**BRAD LANDER**

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