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Audit Report on Department for the Aging's 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 Department for the Aging (NYC Aging) does not always ensure that prime vendors obtain the required approvals from the agency before hiring subcontractors.¹ As a result, unauthorized subcontractors were paid over \$2.2 million during the audit scope period of Fiscal Years 2022 through 2024. The audit also found that NYC Aging reimbursed some prime vendors for subcontractor payments that had not been made.

In addition, NYC Aging lacks evidence that approved subcontractors were properly vetted and did not enforce the requirement that prime vendors document and record all subcontractors and payments made to them in the Payee Information Portal (PIP) and HHS Accelerator. The agency also lacks a mechanism to ensure that subcontractors are paid by prime vendors for the work performed in a timely manner.

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 only 4.9% 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 NYC Aging's oversight of prime vendors to prevent the use of unapproved subcontractors, nonpayment and/or late payments to subcontractors, and to provide complete and transparent information to the City.

¹ In this report, we refer to the Department for the Aging as NYC Aging per the agency's preference.

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.² Typically, these services are provided through human services contracts between City agencies and non-profit providers.

NYC Aging, one of the City's HHS agencies, seeks to eliminate ageism and ensure the dignity and quality of life of older New Yorkers. To achieve its mission, NYC Aging contracts with community-based organizations that provide services through older adult centers, naturally occurring retirement communities, case management and home care agencies, home-delivered meal programs, and many other programs geared to help older adults.

NYC Aging contracts with non-profit and for-profit providers, referred to as "prime vendors." These prime vendors sometimes enter into subcontract agreements with other vendors to ensure that they are complying with contractual terms. For example, NYC Aging may contract with a prime vendor to provide services at a senior center, such as meals for seniors in attendance. The prime vendor can then enter into an agreement with a subcontractor that has a catering business to provide meals at the senior center.

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 provide 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 required work. Documentation may include but is not limited to: (1) completed VENDEX questionnaires;³ (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.

² 9 RCNY §1-01(e)

³ 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."

Section 3.02 A-2 (a) of Appendix A 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.”

The City of New York Health and Human Services Cost Policies and Procedures Manual requires that subcontractors on human service 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).

NYC Aging’s Subcontracting Process

In addition to the PPB Rules outlined above, NYC Aging follows its own subcontracting process. According to NYC Aging’s policies, if, for example, a prime vendor needs to use a subcontractor to provide catering services, it is required to send a request to NYC Aging’s Nutrition Management Unit. The Nutrition Management Unit then sends a Subcontractor Approval Form (SAF) for the prime vendor to fill out and send back to NYC Aging, and they will also conduct a site visit to the subcontractor if deemed necessary.

If the subcontract is less than \$20,000, the Nutrition Management Unit approves it and will send the SAF to the Program Unit for their review and approval. If the subcontract amount is more than \$20,000, then the Agency Chief Contracting Officer (ACCO) needs to review and approve, and also conduct background checks of the subcontractor through Lexis Nexis, Google, Department of Finance and other sites. If the subcontract is valued at more than \$25,000, the prime vendor should solicit three bids and select the lowest bidder. If the lowest bidder is not selected, the prime vendor should explain the reason for the selection. If everything is fine, then the ACCO will approve the SAF, and the prime vendor will receive a copy of the signed SAF. Table 1 below demonstrates the subcontracting process for subcontracts valued at less and more than \$20,000.

Table 1: NYC Aging Subcontract Process Depending on Value of Subcontract

Subcontract Value Less than \$20,000	Subcontract Value More than \$20,000	Subcontract Value More than \$25,000
Prime sends request to use subcontractor to Nutrition Management Unit.	Prime sends request and SAF to ACCO for review and approval.	
Nutrition Management Unit sends Subcontractor Approval Form (SAF) to Prime Vendor to fill out.	ACCO conducts background check (e.g. Lexis Nexis, Google)	
		Prime submits three bids. If lowest bidder is not selected, then Prime has to explain reason for selection.
Nutrition Management Unit approves SAF and sends to	If everything is fine, then ACCO will approve the SAF.	

Subcontract Value Less than \$20,000	Subcontract Value More than \$20,000	Subcontract Value More than \$25,000
Program Unit for their review and approval.		
If approved, prime receives signed and approved SAF.		

City Systems Involved in Subcontract Process

During the audit's 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.⁴ 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.

Historical Issues

The subcontracting process has historically been plagued with 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.^{5 6 7}

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

⁴ According to the HHS Accelerator web page.

⁵ *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.

⁶ *Oversight of Contract Expenditures of Bowery Residents' Committee*, Office of the New York State Comptroller, December 30, 2021.

⁷ *DOI Report on Corruption Vulnerabilities in the City's Oversight and Administration of Not-for-Profit Human Services Contracts*, November 2021.

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. 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 Department for the Aging (NYC Aging). This specific report examines NYC Aging's 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.

Objective

The objective of this audit was to assess whether NYC Aging 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 NYC Aging

The matters covered in this report were discussed with NYC Aging officials during and at the conclusion of this audit. An Exit Conference Summary was sent to NYC Aging on April 29, 2025, and discussed with NYC Aging's officials at an exit conference held on May 6, 2025. On May 30, 2025, we submitted a Draft Report to NYC Aging with a request for written comments. On June 18, 2025, NYC Aging responded that they "have reviewed the report and are accepting the findings."

The full text of NYC Aging's response is included as an addendum to this report.

Detailed Findings

There are several deficiencies in NYC Aging's oversight of its prime vendors and subcontractors. The audit found that NYC Aging 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 \$2.2 million during the audit scope period of Fiscal Years 2022 through 2024. The audit also found that NYC Aging made payments to some primes as reimbursements for subcontractor payments that had not been made.

The audit found that NYC Aging 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. NYC Aging also lacks a mechanism to ensure that subcontractors are paid by prime vendors for 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 six of the seven DOI recommendations related to agencies' oversight of prime vendors' subcontracting have not been implemented. The Mayor's Office of Contract Services (MOCS) indicated that it is currently developing new policies, such as a revised Standard Invoice Review Policy, and reforming vendor compliance audits to provide guidance to agencies in implementing DOI's recommendations.

The audit also attempted to examine the use of M/WBEs as subcontractors on NYC Aging's Human Services contracts when for-profit subcontractors are utilized. However, auditors were unable to determine the overall percentage of subcontractors that were M/WBEs because NYC Aging does not have a complete record of subcontracting vendors. Subsequently, the auditors examined the 11 subcontractors utilized on the sampled contracts and found that nine were for-profit firms. Of the nine, just one of them is a M/WBE. Of the \$2.3 million paid to these subcontractors during FYs 2022 through 2024, \$113,819 (4.9%) went to the M/WBE vendor. 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.

NYC Aging's Oversight of Prime Vendors' Use of Subcontractors Is Inadequate

NYC Aging does not have a mechanism to independently confirm the subcontractors used by prime vendors or review prime vendors' ledgers to determine which subcontractors are being paid and whether there are any previously unidentified subcontractors. In fact, NYC Aging only began requesting copies of subcontract agreements in 2024. In addition, prime vendors did not provide evidence of payments to subcontractors in the HHS system as required during the scope period.

NYC Aging also does not document its subcontractor vetting and background checking processes, nor does it follow up on complaints it receives from subcontractors for late or non-payment by the prime vendors to ensure payments are made, on time or at all.

NYC Aging’s Prime Contractors Paid Over \$2.2 Million to Unauthorized Subcontractors

The audit found that NYC Aging does not reliably confirm that its prime vendors hire only approved and vetted subcontractors. A review of sampled contracts found that unapproved subcontractors received more than \$2.2 million in payments from prime contractors. NYC Aging is responsible for ensuring that its prime vendors’ subcontractors are properly vetted and approved, and that primes only subcontract with certified and responsible vendors.

Section 4-13 of the PPB Rules requires that all subcontractors be approved by the agency before commencing work on a subcontract. NYC Aging’s Subcontractor Approval policy also requires that the agency grant final approval before contract work begins.

The auditors randomly selected four prime vendors awarded five contracts that used six approved subcontractors and judgmentally selected two prime vendors that reportedly did not use subcontractors in their contracts. In reviewing the general ledgers of these vendors, the auditors found six *additional* subcontractors that were not approved by NYC Aging. Table 2 below details the sampled contracts’ use of unapproved vendors.

Table 2: Sampled Vendor Contracts Utilizing Unapproved Subcontractors

Prime Vendor	Prime Vendor Contract #	Unapproved Subcontractor	Fiscal Year	Payment to Unapproved Subcontractor
Allen AME	20228804617	Queens Village Car Service	2022	\$10,344
	20228800142	Transportation	2023	\$52,897
United Jewish Council of the East Side	20228804757	Diplomat Caterer	2022–2024	\$501,165
		Mazzone Kosher Products	2022–2023	\$153,960
YMCA	202288004763	Healthy Heart Foods LLC	2023–2024	\$222,687
		Salsa Catering & Special Events Inc.	2023–2024	\$113,819
Jewish Community Staten Island	202288004165	B&Y Catering	2022–2024	\$1,196,985
Total				\$2,251,857

As shown above, the prime vendors paid a total of \$2,251,857 to unapproved subcontractors without NYC Aging’s knowledge. In one instance, Allen AME included an unapproved subcontractor (Queens Village Transportation) in its HHS invoice to NYC Aging, but listed a different, previously approved subcontractor (Ride Rite Transportation) as the vendor that provided the services. This invoice was approved and paid.

In this specific example, NYC Aging failed to notice that its prime vendor was billing for an unapproved subcontractor in its HHS invoice. Further, since NYC Aging does not review or request supporting documents for expenses billed, it did not realize that the prime vendor’s general ledger contained conflicting information about the subcontractor.

NYC Aging does not review prime vendors' general ledgers to ensure that only approved subcontractors are hired, invoiced to NYC Aging, and paid before the primes request payment. In addition, NYC Aging didn't start requesting subcontract agreements until 2024.

At the Exit Conference for this audit, NYC Aging officials stated that the Standard HHS Invoice Review Policy issued by MOCS in January 2021 does not require that agencies review the general ledger. However, MOCS' policy also states that as part of post-payment reviews, agencies should utilize contractors' payroll and general ledgers to conduct sampling and testing of specific line-items throughout the fiscal year. Furthermore, DOI's 2021 Report concerning vendor risks in HHS agencies recommended that agencies collect more, not less, documentation than MOCS' policy mandates, when reviewing invoices. Specifically, DOI recommended that prior to making payment, City agencies review general ledgers to confirm expenses are accurate and properly allocated and to collect an appropriate level of supporting documentation, including a sample review of transactions, that demonstrates how City funds are being spent.

To prevent payments to primes for unapproved subcontractors, NYC Aging should carefully review HHS invoices submitted by primes, periodically review prime vendors' general ledgers, request and review subcontractors' agreements and invoices, and ensure that prime vendors are submitting such documentation as required in PASSPort (previously PIP and HHS systems).

Insufficient Evidence that NYC Aging Vetted Approved Subcontractors

Even though NYC Aging's policy requires that proposed subcontractors be vetted and background checks be conducted for subcontracts valued at \$20,000 or more, the auditors did not find any evidence, such as documents, to indicate that vetting and background checks were conducted by NYC Aging.

NYC Aging provided an Excel spreadsheet with a checklist of the various checks it claims to have conducted (e.g., Lexis/Nexis search). However, because there was no other supporting evidence, the auditors could not determine with certainty if the checks were actually conducted. NYC Aging did state that, going forward, it would save screenshots of its background checks. Documenting these processes may help address questions raised during the approval process and provide evidence that NYC Aging vetted the subcontractors.

NYC Aging Does Not Ensure Prime Vendors Solicit Estimates from Subcontractors

According to the Human Services Standard Contract, Appendix D, Section 4.05, the prime vendor must solicit and document at least three written estimates for any payment made or obligation undertaken in connection with the agreement for any purchase of goods, supplies, or services for amounts exceeding \$25,000.

NYC Aging's *Internal Subcontractor Approval Process* also states that, for subcontracts valued at \$25,000 or more, the prime vendor is required to submit at least three written bids/estimates. If the lowest bid is not selected, the prime contractor must submit a justification letter to NYC Aging's Agency Chief Contracting Officer (ACCO). These rules/guidelines help to ensure the efficient use of City resources by procuring goods and services at competitive prices.

The auditors determined that four of the six sampled subcontracts required a bidding process. (Bids were not required for the other two because the subcontracts were valued at less than \$20,000.) Even though NYC Aging has stated that it requires three bids for subcontracts over \$25,000, the auditors did not see evidence of this for two of the four subcontracts that required the collection of estimates, as the prime contractors did not submit the required bids. It is important that NYC Aging ensures that competitive bidding is conducted so that the City gets the best value for services.

Subcontractors Not Consistently Recorded in PIP

According to Section 3.02 of Appendix A of the Human Services Standard Contract, prime contractors are required to enter all proposed subcontractors in PIP, regardless of subcontract value.⁸ Entering subcontractors' information in City systems provides transparency and helps with tracking payments. Although this requirement applied, NYC Aging did not ensure that all subcontractors were recorded and approved in PIP in a timely manner, if at all (see above section on unauthorized subcontractors). For two subcontractors associated with three sampled NYC Aging contracts, delays in approval ranged from 29 to 215 days after the subcontract start date. Table 3 below shows these delays.

Table 3: Sampled Subcontractor Approval Delays in PIP

Prime Vendor	Value of Prime Contract	Value of Subcontract	Contract #	Subcontractor	Subcontract Start Date	Date subcontract approved in PIP	# of days btwn start date and approval in PIP
Allen AME Church	\$9,329,235	\$50,000	20228804617	Ride Rite Transportation LLC	08/01/2022	03/04/2023	215
	\$1,154,196	\$130,500	20228800142		08/01/2022	08/30/2022	29
Southside United Housing Development Fund Corporation	\$2,235,233	\$236,250	20228804178	Riseboro Community Partnership Inc.	12/01/2021	05/20/2022	170

As shown above, for three of the sampled subcontracts, delays ranged from 29 days to 215 days, from the start date noted in the subcontract to the date NYC Aging approved the subcontract in PIP. NYC Aging officials explained that delays in approval were due to late submissions by the prime vendors in the system. While this is likely true, as noted above, the agency is responsible for ensuring all subcontractors are recorded in PIP by primes and did not do so.

The subcontract that had a 215-day delay (Allen AME Church's subcontract with Ride Rite Transportation LLC) was later canceled in June 2024 after the audit team inquired why no payments had been made to the subcontractor, and after NYC Aging conducted an inquiry into the subcontract. It appears that the prime vendor may have canceled the contract unilaterally

⁸ As of September 23, 2024, subcontractor management is no longer conducted in PIP. All procurement processes are now conducted in PASSPort.

without informing NYC Aging or updating the information in PIP. NYC Aging stated that they then requested that the prime vendor cancel the contract in PIP.

It is essential that NYC Aging exercises better oversight over prime vendors' input of subcontractors' information into the system. NYC Aging should ensure that prime vendors update the system and inform the agency of any changes in a timely manner as required, especially when dealing with populations that depend on the services provided by the subcontractors. A key part of oversight is monitoring services provided—specifically, who is providing these services and whether any changes are made.

NYC Aging 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. 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 state the timeframe. Further, MOCS has developed a *Standard Subcontract Agreement* template that may be used by primes; according to that template, payment would generally be due upon receipt of a proper invoice from the subcontractor.

The audit found that NYC Aging does not closely monitor prime contractors' payments to subcontractors or require prime contractors to submit subcontractors' invoices as supporting documents in the system. Because of this, auditors were not able to determine whether all payments were made in a timely manner.

Subsequently, the audit team requested that sampled prime contractors provide invoices and cancelled checks pertaining to services rendered by subcontractors to conduct a review of subcontractor payments for the contract period covering FYs 2022 through 2024.⁹ Auditors found instances where subcontractors experienced significant delays in payment, and others that have not been paid at all.

Southside United Housing Development Fund (Southside) Corporation—the prime vendor on one of the sampled contracts—provided 53 invoices that were submitted by a subcontractor (Riseboro) from FY2022 to FY2024. The auditors found that 47 (89%) of the invoices were paid more than 30 days after the subcontractor's invoice date. For these invoices, the differences between the date the subcontractor invoiced the prime and date the prime paid the subcontractor ranged from 35 days to 580 days after the 30-day target for payment to subcontractors.

Furthermore, Southside did not report any of the payments made to Riseboro in PIP as required, nor did it include the expenses in its invoices to NYC Aging in the HHS system. Riseboro provides meals for this contract and was approved by NYC Aging; however, it was not included in the HHS invoices. At the very least, NYC Aging should have questioned why Southside was not billing for meals supplied by the subcontractor.

⁹ For the purposes of this audit, a 30-day target has been applied for payments to subcontractors.

NYC Aging Paid \$381,700 for the Reimbursement of Subcontractors That Had Not Been Paid by Primes

As stated in its Human Service Contracts with vendors, “The Department shall reimburse the Contractor based on a line-item budget and the actual costs incurred and reported each month for the provision of the contracted services.” To substantiate an incurred cost, the prime must demonstrate payment of the subcontractor. However, the audit found that NYC Aging paid primes almost \$400,000 for subcontractor expenses that had not actually been paid. The auditors requested that NYC Aging provide detailed invoices submitted by primes that showed when they requested reimbursement for subcontracting expenditures, but the agency was only able to provide invoices showing the total amount invoiced. The agency stated that they are unable to provide breakdowns because the HHS system that maintained such information is no longer operable.

The auditors learned through NYC Aging that it had received complaints from two subcontractors (Salsa Catering & Special Events and Gotham Catering) for nonpayment of services provided to prime vendors Institute for the Puerto Rican/Hispanic Elderly, Inc. (IPRHE) and Charles A. Walburg Multi Service Organizational Inc.

Salsa Catering complained about both IPRHE and Charles A. Walburg, alleging nonpayment under two different contracts. For the contract with Charles A. Walburg, NYC Aging stated that Salsa Caterers had stopped providing services and that Charles A. Walburg had paid the moneys owed. For the contract with IPRHE, the subcontractor complained that it was owed more than \$142,000 for services billed from February 2023 through April 2024. Salsa Catering provided catering services at different senior centers. Salsa Catering carried an unpaid balance for over six months. IPRHE’s sub agreement with Salsa Catering had a stipulation stating that “IPRHE shall pay Vendor within 60 to 90 days of receipt of the monthly invoice.” This contravenes the requirement that payment be prompt. In addition, based on the auditors’ review of Subcontractor Approval Forms, it appears that Salsa Catering was also providing services during time periods not approved by NYC Aging. As of March 17, 2025, IPRHE owed Salsa Caterers \$156,910. After the exit conference, NYC Aging sent documents showing that Salsa Caterers had been forced to take a loan and that, as of May 2025, the payments of the loan have been assigned to IPRHE to cover the money owed to Salsa Caterers.

Regarding the other complaint by subcontractor Gotham Catering and Events, in August 2023 it was owed \$520,408 for services provided from January 2023 through May 2023. In September 2023, NYC Aging sent a letter to the prime contractor, Charles A. Walburg Multi Service Organization Inc, notifying them of various complaints from subcontractors and staff that were not getting paid—one of which was Gotham Catering. In addition to not paying its vendors and staff, the prime vendor did not submit its required annual audits and NYS Annual Charities filing (CHAR500) for FYs 2020 through 2023.

On November 17, 2023, NYC Aging informed the prime vendor that it would terminate its contract on December 31, 2023. To date, there is still an outstanding amount of \$224,790 owed to Gotham Catering by Charles A. Walburg. This is money that NYC Aging paid to the prime as reimbursement for this expense. In the letter, NYC Aging also mentions that it made numerous attempts to contact the prime requesting that it register its subcontractors in PIP, without response. This is an example of an ongoing issue with NYC Aging’s prime contractors not submitting information about subcontractors in the City’s systems, making it difficult to track and ensure that subcontractors are receiving their payments. NYC Aging explained that this was a

rate-based contract managed by the prime and that the subcontractor was providing meals to homebound seniors.

If these subcontractors had not complained to NYC Aging, the agency might not have known that these vendors were not being paid. Subcontractors provide essential services to senior citizens, such as delivering meals, and paying them is of the utmost importance. If NYC Aging had more closely monitored its prime contractors and ensured required information, including payments to subcontractors, was recorded in the City's system(s), the absence of reported payments may well have triggered concern. For the sake of transparency and tracking, NYC Aging should put mechanisms in place (including enforcing the requirement that prime vendors report payments and submit proof of payment to subcontractors in PASSPort) that would allow them to better determine that subcontractors are being paid for essential services provided.

Inconsistent Guidance Concerning Payment of Subcontractors

As noted above, under the PPB, City agencies must pay prime vendors within 30 days of receipt of an invoice, but there is no established period by which prime vendors must pay their subcontractors. As 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, IPRHE's sub agreement with Salsa Catering (referenced above) stipulated that "IPRHE shall pay Vendor within 60 to 90 days of receipt of the monthly invoice." A payment made 60-90 days after receipt of an invoice is not what is considered the norm for the City or in day-to-day business where payment is expected within 30 days of receipt of invoice.

In addition, City fiscal policy requires that for cost-based contracts, prime vendors must demonstrate that payments to subcontractors were actually incurred by the prime as a basis for seeking reimbursement from the City. This requires proof that subcontractors were actually paid for the goods and services they provided, and arguably, such proof should be submitted with invoices seeking reimbursement. Agencies should ensure subcontract agreements provide prompt payment to subcontractors, and further, they should ensure that proof of payment to the subcontractors is received before approving an invoice for payment.

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."¹⁰ Of these, 18 were directed at the respective agencies and five were directed at MOCS. Of the 18 agency-directed recommendations, seven relate to the primes' oversight of subcontractors.

¹⁰ [23NFPRRelease.Rpt.11.10.2021.pdf](#)

The auditors found that NYC Aging has not implemented six of the seven agency-directed recommendations related to oversight of subcontractors. The agency stated that it is waiting for guidance from MOCS relating to the implementation of the 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 (including NYC Aging) and has created a Health and Human Services Vendor Compliance Cabinet to develop and issue Citywide policies to try to implement DOI’s recommendations. 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 and bolded the six that have not been implemented.)

Taking a proactive approach to ensuring that payments are supported and that prime contractors are complying with their contracts and City policy will strengthen NYC Aging’s oversight responsibilities and benefit the City as a whole.

M/WBE Spending

4.9% of 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, this office stated that Human Services contracts accounted for the largest share—in both volume and value—of contracts in FY2024.¹¹ The majority of NYC Aging’s contracts are Human Services contracts, accounting for \$448,851,151 (89.72%) of the \$500,257,895 spent on prime contracts during FY2024. According to Checkbook NYC, 5.1% 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 because NYC Aging failed to ensure that prime vendors recorded subcontractor payments in PIP, as required, Checkbook NYC and FMS did not have sufficient information on payments to subcontractors. Due to the lack of information in PIP regarding NYC Aging’s subcontractors and payment amounts, auditors could not identify the total number of subcontractor payments on all NYC Aging’s 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 11 subcontractors (six unapproved and five approved) used to support the sampled contracts; of these, nine are for-profit vendors for which M/WBE firms could be utilized. (Not-for-profit firms are not eligible for M/WBE certification.) A review of the nine for-profit subcontractors revealed that for FYs 2023 and 2024, only one subcontractor was certified as an M/WBE by SBS. Payments made to the M/WBE from FY2023 through FY2024 totaled \$113,819—4.9% of the total \$2.3 million paid to the nine for-profit subcontractors, as shown in the table below.

¹¹ New York City Comptroller Annual Report on M/WBE Procurement, FY24 Findings and Recommendations, February 2025.

Table 4: M/WBE Subcontractor Utilization on Sampled Contracts

Fiscal Year	Number of For-Profit Subcontractors on Sampled Contracts	Total Amount Paid to For-Profit Subcontractors	Number of M/WBE Subcontractors Utilized on Sampled Contracts	Amount Paid to M/WBE Subcontractors	M/WBE Share Percentage
2022	9	\$450,639	0	\$0	0.00%
2023	9	\$952,141	1	\$56,043	5.89%
2024	9	\$905,683	1	\$57,776	6.38%
Totals	9*	\$2,308,463	1*	\$113,819	4.93%

*Subcontractors were utilized in more than one year.

Auditors suggest NYC Aging encourage its prime vendors to increase use of M/WBE subcontractors in future, to assist the City in meeting its broader equity goals.

Recommendations

To address the abovementioned findings, the auditors made the recommendations below to NYC Aging. The agency response stated that they agreed with the report's findings but did not specify whether they agreed or disagreed with the recommendations.

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.
2. Ensure that prime vendors are submitting subcontractors' information including sub agreements and payment information as required in PASSPort (previously PIP and HHS systems).
3. Document the process of vetting and conducting background checks of proposed subcontractors.
4. Ensure that competitive bidding is conducted by prime vendors when selecting subcontractors.
5. Review subcontract agreements for prompt payment stipulations and ensure that prime contractors are paying their subcontractors in accordance with those stipulations.
6. Ensure costs for goods and services provided by subcontractors are actually incurred by prime vendors as a condition of reimbursement from the City.
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.
8. Consider increasing its use of M/WBE contractors and encourage the agency's prime vendors to increase their use of M/WBE subcontractors.

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 NYC Aging’s organizational structure and operations related to the subcontracting process, and the roles of the staff in the management of subcontractors, auditors requested for review organization charts identifying employees involved with all aspects of the subcontracting process, including the 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, Appendix A, *General Provisions Governing Contracts For Consultants, Professional Technical, Human, And Client Services*, Local Law 1 of 2013, the Comptroller’s Directive 2 (Cost Reimbursable Contract Payment Request Audits) and Directive 4 (Contract Agency Monitoring and Reporting); 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 obtain an understanding of the subcontracting approval and payment process, auditors interviewed officials from the Nutrition Management Unit, the Office of Procurement, and the Finance Unit. Auditors also conducted walkthrough observations with the officials of these units to better understand the subcontractor utilization processes.

To evaluate NYC Aging’s internal controls and further determine whether NYC Aging complies with the utilization of subcontractor related policies and procedures, and to obtain an understanding of the relevant rules and regulations, auditors obtained the following for review: (1) *Subcontractor Approval Review Process*; (2) *Subcontractor Approval Process for Grab and Go and Congregate Meals*; (3) *NYC Aging Subcontractor Approval Form 2021 Update 6.21.21_Fillable*; (4) *NYC Aging Subcontractor Approval Process for Providers (external)*; (5) *Subcontractor Approval Process for HDM Cultural and Religious Meals*; (6) *NYC Aging Subcontractor Approval Process for NYC Aging Staff (internal)*; (7) *HHS financials invoices*; (8) *Standard Health And Human Services Invoice Review Policy, Effective January 1st, 2021*; (9) *Approved Subs in FMS FY20-23 above \$20K*, and any relevant information obtained from NYC Aging’s website. Auditors also determined whether NYC Aging complied with relevant requirements in all the policies and regulations reviewed. During their walkthrough observations, auditors were able to observe the chain of command of approval process on SAF and the SAF signatures that display tiers of approval across the agency.

To obtain an understanding of the vetting process, auditors observed the responsibility determination process through the subcontractor’s integrity verification using a checklist that consists of government databases such as PASSPort, PIP, FMS and DOF.

To assess NYC Aging’s compliance with the procedures and rules, and to see if the agency has internal controls in place, auditors generated a list of NYC Aging’s 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, Allen AME Church and Southside United Housing Development Fund Corporation that used subcontractors and reviewed all the contract information and payments related to these prime vendors and their subcontractors for human services contracts.

To assess the reliability of the data related to subcontracting of human services contracts information maintained by NYC Aging, auditors compared this information to subcontracting information reported in the Checkbook database, FMS, PIP, and Bureau of Contract Administration (BCA) for Fiscal Years 2022 and 2023 obtained for sampled prime vendors and subcontractors. Auditors compared the data for discrepancies, 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 NYC Aging properly monitored the subcontracting process, auditors compared NYC Aging's approved subcontractor listing to BCA and FMS subcontractor records for Fiscal Years 2022 to 2023.

To determine whether sampled subcontractors were being 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 to HHS Accelerator amounts. Furthermore, the auditors analyzed whether the general ledger included potential subcontractors that were not approved by NYC Aging's ACCO.

To determine whether the prime contractors were paying the subcontractors in a timely manner, the audit team asked NYC Aging to identify the mechanisms employed to ensure that this was being done. Auditors also asked if there had been any complaints from the subcontractors regarding late payments or non-payments. For those subcontractors that complained, the auditors requested all information related to the complaints (e.g., emails, documents supporting complaint) and the current status of the complaint. In addition, the auditors analyzed the contract payments for one subcontractor (Riseboro) by reviewing invoices and bank statements and comparing the City payment date to the Prime (from Checkbook) to the Prime Payment to subcontractor to check if it met the required seven-day grace period required for the prime vendors to pay the subcontractor after having received payment by the City.

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

Even though NYC Aging is not required to meet Local Law 1 of 2013 M/WBE utilization requirements due to the majority of its contracts being human services contracts, the audit team analyzed five years' worth of information from Fiscal Years 2020 through 2024 on its contract spending of primes. To conduct this analysis, the auditors downloaded the information on spending from Checkbook. Auditors reviewed the Department of Small Business Services database for the certification status of the sampled vendors. In addition, auditors sorted the Checkbook data to assess utilization of the M/WBE contractors by NYC Aging for Human Services Contracts.

Although the results of sampling tests were not statistically projected to their respective populations, these results, together with the results of other audit procedures and tests, provide a reasonable basis for the assessment of NYC Aging's oversight or prime vendors use of subcontractors.

Appendix

DOI's 2021 Recommendations Related to Oversight and Those Not Implemented by NYC Aging (Bold)

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.	<p>The City is in the process of implementation:</p> <ul style="list-style-type: none"> 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. 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.
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.

DOI Recommendation Number	DOI Recommendation	As Per Information Provided by MOCS on June 9, 2025
8	Agencies should require contractors to submit a general ledger report 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.	MOCS and MORMC are working along with the HHS Vendor Compliance 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.	



Lorraine Cortés-Vázquez
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June 17, 2025

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

Re: FP 24-066A, Audit Report on Department for the Aging's Oversight of Prime Vendors' Use of Subcontractors on Health and Human Services Contracts

Dear Maua Hayes -Chaffe

We have reviewed the report and are accepting the findings. Regarding the DOI findings, the New York City Mayor's Office of Contract and Mayor's Office of Risk Management and Compliance will be responding on behalf of Health and Human Services agencies.

If you have any questions, please feel free to contact me at jmercado@aging.nyc.gov or (212) 602-4471.

Sincerely

A handwritten signature in cursive script that reads 'Jose Mercado'.

Jose Mercado
Chief Financial Officer





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