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The Department of Health and Mental Hygiene's Oversight of Prime Vendors' Use of Subcontractors on Health and Human Services Contracts

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Table of Contents

Audit Impact	1
Summary of Findings	1
Intended Benefits	1
Introduction	2
Background.....	2
City Policies and Procedures for Use of Subcontractors	2
DOHMH's Subcontracting Process	3
City Systems Involved in Subcontract Process	3
Historical Issues	4
Objective.....	5
Discussion of Audit Results with DOHMH	5
Detailed Findings	6
DOHMH's Oversight of Prime Vendors' Use of Subcontractors Needs Improvement.....	6
DOHMH's Prime Contractors Paid Over \$2.9 Million to Subcontractors Not Authorized to Work on Sampled Contracts.....	7
Vetting and Approval of Documents Not Consistently or Properly Maintained by DOHMH.....	8
DOHMH Does Not Ensure That Prime Vendors Solicit Estimates from Subcontractors	9
Subcontractors Not Recorded or Approved in PIP for Sampled Contracts in a Timely Manner	9
DOHMH Did Not Ensure That Prime Vendors Recorded Payments to Subcontractors in PIP	11
DOHMH Does Not Ensure Timely Payment to Subcontractors	11
Inconsistent Guidance Concerning Payment of Subcontractors.....	12

DOI's 2021 Recommendations Related to Subcontractor Oversight Have Been Implemented.....	13
M/WBE Spending.....	13
5.1% of Spending on For-Profit Subcontractors on Sampled Human Services Contracts Went to M/WBEs for FYs 2022 and 2023.....	13
Recommendations	15
Recommendations Follow-up.....	16
Scope and Methodology	17
Appendix I.....	20

Audit Impact

Summary of Findings

The audit found that DOHMH does not always ensure that prime vendors obtain the required approvals from the agency before hiring subcontractors on their contracts. As a result, about \$2.9 million was paid to vendors not authorized to work as subcontractors on sampled contracts during the audit scope period of Fiscal Years 2022 through 2024; instead these vendors were approved under incorrect contract numbers.

In addition, DOHMH 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 for the work performed in a timely manner. Finally, the audit found that only 5.1% 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 DOHMH's oversight of prime vendors to prevent the use of unapproved subcontractors under incorrect contract numbers, 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.¹ Typically, these services are provided through human services contracts between City agencies and non-profit providers.

The mission of DOHMH, one of the City's HHS agencies, is to protect and promote the health of all New Yorkers. DOHMH provides an array of services such as conducting restaurant inspections, issuing dog licenses, issuing birth certificates, and providing health services through local clinics. To achieve its mission, DOHMH contracts with community-based organizations that provide services.

DOHMH 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, DOHMH may contract with a prime vendor to provide health services at a neighborhood clinic. The prime vendor may then enter into an agreement with a subcontractor to manage a vaccination program at the clinic.

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;² (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.

¹ 9 RCNY §1-01(e)

² 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 of the standard health and human services contract 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 require that subcontractors providing human services on behalf of primes be listed in the 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).

DOHMH’s Subcontracting Process

DOHMH follows its own subcontracting process, which is intended to comply with the PPB Rules. According to DOHMH’s policies, during the audit scope period, all proposed subcontracts were required to be listed in PIP and identified through the budget and invoice process, including in HHS Accelerator. For any subcontract valued at more than \$5,000, the prime contractor is required to notify the Program Unit, which then completes the required sections of the Subcontractor Approval Form (SAF) and sends it to the prime vendor to complete and return to both the Program Unit and the Agency Chief Contracting Officer (ACCO).³ The ACCO’s office then reviews the SAF, requests additional documents, and conducts an integrity review.

If the subcontractor has agreements valued at more than \$20,000, DOHMH requires that they be prequalified in HHS Accelerator. The prime vendor is also required to share the approved subcontract agreement with DOHMH. Subcontractors are considered approved when DOHMH approves the subcontract in PIP (currently PASSPort).

In addition, all payments to the subcontractor should be reported in PIP.

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.

³ If the subcontract is under the master contract with vendor Public Health Solution, the threshold is \$20,000

- **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.

In addition to these systems, DOHMH also has an internal system called PAYRS that interfaces with FMS and is used to make payments on Human Service contracts. The prime vendors also submit their invoices through the Vendor Invoice Processing System (VIPS), which interfaces with PAYRS. The prime vendor is supposed to submit invoices with supporting documents such as journal entries in the general ledger, receipts/invoices, and other documents. Lastly, DOHMH also uses an internal database system called ConTrak to help manage DOHMH contracts.

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.^{4 5 6}

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 Contracts Services (MOCS) has 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

⁴ *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.

⁵ *Oversight of Contract Expenditures of Bowery Residents’ Committee*, Office of the New York State Comptroller, December 30, 2021.

⁶ *DOI Report on Corruption Vulnerabilities in the City’s Oversight and Administration of Not-for-Profit Human Services Contracts*, November 2021.

recommendations issued in the 2021 report.⁷ 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 DOHMH’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 DOHMH 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 DOHMH

The matters covered in this report were discussed with DOHMH officials during and at the conclusion of this audit. An Exit Conference Summary was sent to DOHMH and discussed with DOHMH’s officials at an exit conference held on June 5, 2025. On June 12, 2025, we submitted a Draft Report to DOHMH with a request for written comments. We received a written response from DOHMH on June 26, 2025. In its response, DOHMH stated that it agreed with six recommendations and found the remaining two recommendations unnecessary.

DOHMH’s written response has been fully considered and, where relevant, changes and comments have been added to the report.

The full text of the DOHMH response is included as an addendum to this report.

⁷ DOI’s *Examination of Compliance Risks at City-Funded Homeless Shelter Providers and the City’s Oversight of Shelter Providers*, October 2024.

Detailed Findings

There are several deficiencies in DOHMH's oversight of its prime vendors and subcontractors. The audit found that DOHMH does not always ensure that prime vendors obtain the required approvals from the agency before hiring subcontractors. As a result, about \$2.9 million was paid to vendors not authorized to work as subcontractors on sampled contracts during the audit scope period of Fiscal Years 2022 through 2024. In addition, the required bidding documents were not always maintained.

The audit found that DOHMH did not enforce the requirement that prime vendors promptly document the subcontractors they use (as well as the payments made to them) in PIP and HHS Accelerator. DOHMH 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 operations and provision of services by subcontractors.

Regarding the 2021 DOI report, the audit found that most of DOI's recommendations related to agencies' oversight of prime vendors' subcontracting have been implemented. The Mayor's Office of Contract Services (MOCS) is currently working to create new policies (such as a Standard Invoice Review Policy) and reforming the vendor compliance audits in order to provide guidance to agencies in implementing DOI's recommendations.

The audit also attempted to examine the use of M/WBEs as subcontractors on DOHMH's Human Services contracts when for-profit subcontractors are used. However, auditors could not determine the overall percentage of subcontractors that were M/WBEs because DOHMH does not have a complete record of subcontracting vendors.

Nevertheless, the auditors' examination of the 29 subcontractors on the sampled contracts revealed that seven were for-profit firms; of those seven eligible firms, just one is an M/WBE. Of the \$634,114 paid to these for-profit subcontractors during FYs 2022 through 2024, \$32,500 (5.1%) went to the one 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.

DOHMH's Oversight of Prime Vendors' Use of Subcontractors Needs Improvement

DOHMH did not ensure that the subcontractors used on sampled contracts were authorized to work on these contracts. DOHMH also lacks a mechanism to track complaints received regarding late payments.

DOHMH's Prime Contractors Paid \$2.9 Million to Subcontractors Not Authorized to Work on Sampled Contracts

The audit found that DOHMH does not reliably confirm that its prime vendors hire subcontractors that have been authorized to work on contracts. A review found that subcontractors not approved to work on the sampled contracts received about \$2.9 million in payments from prime contractors.

Approvals are contract specific, and DOHMH is responsible for ensuring that its prime vendors' subcontractors are properly vetted and approved under the correct contracts, and that primes only subcontract with certified and responsible vendors.

Section 4-13 (c) of the PPB Rules requires that all subcontractors be approved by the agency before commencing work on a subcontract. DOHMH's Subcontractor Approval policy also requires that the agency grant final approval through PIP before contract work begins.

The auditors randomly selected two prime vendors awarded four contracts, that used 21 approved subcontractors. The auditors then randomly selected two prime vendors that reportedly did not use subcontractors in their contracts. In reviewing the general ledgers of these vendors, the auditors found eight *additional* subcontractors used by the first two vendors that were not approved by DOHMH under the sampled contracts numbers. Table 1 below details the sampled contracts' uses of unapproved vendors.

Table 1: Sampled Vendor Contracts Utilizing Unapproved Subcontractors Not Approved Under Those Contracts

Prime Vendor	Prime Vendor Contract #	Unapproved Subcontractor	Fiscal Year	Prime Vendor Payment to Unapproved Subcontractor
Fund for Public Health	20228807629	ACT Care Foundation Inc.	2022–2024	\$203,535
		African International Collaborative Center Inc.		\$149,544
		Alianza Ecuatoriana Internacional		\$64,389
		Boro Park Jewish Community Council Inc.		\$913,958
		Destination Tomorrow Inc.		\$243,869
		Jewish Community Council of Greater Coney Island, Inc.		\$211,811
		ReServe Elder Services, Inc.		\$939,718
CCMS DBA Community Counseling & Mediation (CCMS)	20228800014	Infinity Education Special Program	2022	\$169,644
Total				\$2,896,468

As shown above, the prime vendors paid a total of \$2,896,468 to subcontractors not approved by DOHMH to work under the sampled contracts. DOHMH explained that these subcontractors were approved and, in some cases, provided Subcontractor Approval Forms (SAF). However, DOHMH explained that the subcontractors were erroneously approved under other contracts and not the sampled contracts under which they were paid.

Auditors also found documentation errors with two other subcontractors used by the Fund for Public Health. One of them, Beacon Christian Community Health Center, was misclassified in FMS under the “professional service” industry category instead of the “human services” category. Another subcontractor, Union Community Health Center, was erroneously listed as “pending approval” because, according to DOHMH, the system was not updated to reflect that the vendor had been approved. (Auditors obtained the completed SAF for the vendor.)

To prevent payments to primes for unapproved subcontractors, DOHMH should carefully review information entered into the system and ensure that the subcontractors are approved and paid under the correct contract numbers and correct classifications.

Vetting and Approval of Subcontractors Not Consistently or Properly Maintained by DOHMH

Even though DOHMH’s policy requires subcontractor vetting and background checks for subcontracts valued at \$20,000 or more, the auditors did not find sufficient evidence for two of the eight sampled subcontractors that DOHMH did this.

The auditors sampled four contracts under two prime vendors, which included 21 approved subcontractors. Of these, eight were subcontracts valued at more than \$250,000. According to PPB Rules Section 2-08 (e), such contracts require a Vendex Questionnaire; however, the auditors learned that the Vendex Questionnaires for one of these subcontractors (Union Community Health Center) had not been filed in more than three years and should have been updated. The PPB rules require the questionnaire to be completed “at least once within each three-year period within which such contractor does business with the city.”

In addition, the auditors found that even though DOHMH generally ensures that prime vendors provide SAFs for subcontractors, the forms were incomplete for six of the 21 subcontracts. Specifically, the required dates were missing or the required boxes were not checked.

Documenting these processes may help address questions raised during the approval process and provide evidence that DOHMH vetted the subcontractors.

The auditors conducted an online search for information on the eight unapproved subcontractors and found issues relating to one of them. Destination Tomorrow Inc. has a civil court filing against it dating back to 2019. While such information may not preclude subcontractors from being approved, auditors found no evidence that DOHMH was aware of this history or considered it prior to their services being provided through primes.

DOHMH Does Not Ensure That Prime Vendors Solicit Estimates from Subcontractors

According to the Human Services Standard Contract, Section 4.05 (B) (1), 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. The purpose of this competitive bidding requirement is to ensure that agencies—and, by extension, the City—get the best value for services.

The auditors found no evidence that three bids were obtained for three of the 13 sampled subcontractors that required a bidding process.⁸ DOHMH explained that bid documents are not maintained in a central location and that contracting practices may vary between the various DOHMH divisions and programs. DOHMH also stated that the prime vendors are asked to maintain these documents in case of an audit. In response to the auditors' query, however, DOHMH provided no evidence showing that it attempted to obtain bid documents from the primes, so the auditors have no basis to conclude that bids were obtained for the subcontracts cited above.

Subcontractors Not Recorded or Approved in PIP for Sampled Contracts in a Timely Manner

According to the Human Services Standard Contract, Appendix A, Section 3.02, prime contractors are required to enter all proposed subcontractors in PIP, regardless of subcontract value.⁹ Entering subcontractors' information in City systems increases transparency and helps agencies track payments. For all subcontracts regardless of value, the primes were required to list information on the subcontractors in PIP. However, DOHMH did not ensure that subcontractors were recorded and approved in a timely manner. Table 2 below shows the difference in days between the start dates of subcontracts and their recording and approval in PIP.

For 19 of the 21 subcontractors in the sampled contracts, the vendors recorded the subcontracts in PIP ranging from 35 to 574 days after the subcontract's start date. In four instances, recording and approval occurred more than one year after the start date. For 19 of those sampled contracts, DOHMH's approval ranged from 41 to 706 days after the subcontracts' start dates. For example, one prime vendor (CCMS) recorded its three subcontractors 574 days after the start date, and DOHMH's approval was not granted until 589 to 706 days after the start date—almost two years later.

DOHMH stated that in cases of emergency contracts, the ACCO's office does a preliminary review, grants pre-approval, and then conducts the full vetting before granting final approval. They further stated that, in these cases, there were delays in updating PIP. However, this does not

⁸ Of the 21 total subcontracts sampled, bids were not required for eight because the subcontracts were valued at less than \$20,000.

⁹ As of September 23, 2024, subcontractor management is no longer conducted in PIP. All procurement processes are now conducted in PASSPort.

adequately explain the delays since only one of four sampled contracts in question was an emergency contract.

It is crucial that DOHMH exercises better oversight over prime vendors' documentation of their subcontractors. DOHMH 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 component of oversight is monitoring services provided—specifically, who is providing these services and whether any changes are made.

Table 2: Delays in Recording and Approval of Sampled Subcontractors After Subcontract Start Date in PIP

Prime Vendor	Contract #	Subcontractor	Subcontract Start Date	Date Subcontract Recorded in PIP	Days Between Subcontract Start Date and Recording in PIP	DOHMH Approval in PIP	Days Between Subcontract Start Date and Approval
CCMS	20228800014	Brooklyn Perinatal Network Inc.	7/1/2021	1/26/2023	574	6/7/2023	706
		Public Health Solutions	7/1/2021	1/26/2023	574	2/10/2023	589
		Christopher Rose Community Empowerment Campaign	7/1/2021	1/26/2023	574	3/24/2023	631
Fund for Public Health	20228800038	New York University	10/1/2022	7/14/2023	286	10/11/2023	375
		Brooklyn Bridge Pediatrics LLP	9/30/2022	3/10/2023	161	4/27/2023	209
		Archana Singiri Medical PC	7/22/2022	3/27/2023	248	4/26/2023	278
		Life of Hope	10/1/2022	12/6/2023	431	12/21/2023	446
			8/1/2021	11/15/2021	106	11/16/2021	107
		Daljeet Singh Physician PC	6/3/2022	7/19/2022	46	7/26/2022	53
		Ocean Parkway Pediatric Practice	6/2/2022	10/14/2022	134	10/20/2022	140
		Heruniver City Inc.	3/1/2023	4/5/2023	35	4/11/2023	41
		ODA Primary Health Care Network	7/1/2022	11/28/2022	150	11/30/2022	152
		Caring Hands Pediatrics	8/25/2022	1/23/2023	151	1/25/2023	153
	20228807629	Life Church	7/1/2022	1/18/2023	201	1/23/2023	206

Prime Vendor	Contract #	Subcontractor	Subcontract Start Date	Date Subcontract Recorded in PIP	Days Between Subcontract Start Date and Recording in PIP	DOHMH Approval in PIP	Days Between Subcontract Start Date and Approval
		Union Community Health Center	7/1/2022	3/24/2023	266	4/5/2023	278
		Under 21	7/1/2022	12/6/2022	158	12/27/2022	179
		Staten Island Performing Provider	7/1/2022	12/15/2022	167	2/1/2023	215
		JBT Foundation Inc.	7/1/2022	4/24/2023	297	2/1/2023	412
Fund for Public Health	20221400466	Haitian Americans United for Progress Inc.	12/1/2021	3/31/2022	120	4/5/2022	125

DOHMH Did Not Ensure That Prime Vendors Recorded Payments to Subcontractors in PIP

Both Appendix A of Human Service contracts and DOHMH's internal policies require that prime vendors report payments to subcontractors in PIP. However, the auditors' review of the prime vendors' general ledgers and PIP found that payments made to 16 of the 21 subcontractors used in the sampled contracts were partially or not recorded at all in PIP. The prime vendors' general ledgers for FY2022 through FY2024 showed total payments of \$3,691,056 to the 16 subcontractors, but only \$35,628 (1%) of these payments were recorded in PIP. DOHMH stated that prime vendors are now required to register their subcontractors and post payments to subcontractors in PASSPort.

DOHMH should ensure that prime vendors enter all payments to subcontractors in the system (currently PASSPort). This is necessary to ensure that subcontractors are being paid for the services provided.

DOHMH 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; the Standard Subcontract Agreement template provided by MOCS (which may be used by primes) states that payment is generally due upon receipt of a proper invoice. Agencies should review these subcontract agreements to ensure that they contain language requiring prompt payment from the prime to its subcontractors. Subcontractors' invoices, along with the prime vendors' general ledgers, should show when services are provided, when invoices are submitted for payment, and when prime vendors pay the subcontractor.

The audit found that DOHMH does not closely monitor prime contractors' payments to subcontractors or require prime contractors to submit subcontractors' invoices as supporting documents in the system. The auditors selected 18 invoices from six subcontractors from the sampled contracts to determine whether payments were made in a timely manner. The auditors found 17 of the 18 invoices were paid late. Specifically, the auditors found that late payments ranged from 32 to 214 days after the invoices' posted dates. The 18 selected invoices totaled \$2.23 million, of which \$2.16 million was paid late.

The auditors also learned from DOHMH that it has received complaints from subcontractors regarding payment delays, including not-for-profit entities providing services under DOHMH's Center for Health Equity & Community Wellness' Citywide Doula Initiative (CDI) program. Four subcontractors complained that a prime vendor (Fund for Public Health of New York) was not making timely payments. An article published in the news outlet *The City* on June 27, 2024, reported that some doulas waited months for reimbursement from the CDI program.¹⁰ According to the article, "Reimbursements from the city for services rendered can take anywhere from two to three months to finally appear in the bank accounts of Citywide Doula Initiative doulas. [...] At one point, reimbursement took as long as six to twelve months."

DOHMH stated that "there is no Agency-wide process to handle the receipt, tracking, and resolution of complaints from subcontractors." If these subcontractors had not complained to DOHMH, the agency might not have known that these vendors were having issues getting paid. These subcontractors provide essential services to pregnant mothers in our communities. It is crucial that DOHMH more closely monitor prime contractors and ensure that their information is recorded in the City's systems.

For the sake of transparency and tracking, DOHMH should establish mechanisms for enforcing the requirement that prime vendors report payments and submit proof of payment to subcontractors in PASSPort (previously PIP). This would allow DOHMH to better assess whether subcontractors are being paid for the essential services they provide.

Inconsistent Guidance Concerning Payment of Subcontractors

As noted above, under the PPB, the City agencies must pay prime vendors within 30 days of receipt of an invoice; however, there is no clear guidance regarding a timeframe in which primes must make payments to human services subcontractors. The only possible guidance would be the subcontract agreement entered between the prime vendor and the subcontractor, which at times does not lend itself to prompt payments.

However, City fiscal policy also requires that, for cost-based contracts, prime vendors must demonstrate that the costs of 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. Arguably, such proof should be submitted with invoices seeking payment. Auditors found that DOHMH requires its vendors to demonstrate that

¹⁰ Max Rivera, "Growing Pains: Citywide Program to Expand Access to Doulas Hits a Crossroad," *The City*, June 27, 2024. [Growing Pains: Citywide Program to Expand Access to Doulas Hits a Crossroad | THE CITY — NYC News](#)

subcontractors are paid when seeking reimbursement from the agency. Agencies also should review subcontract agreements to ensure that primes have stipulations in place ensuring prompt payment.

DOI's 2021 Recommendations Related to Subcontractor Oversight Have Been Implemented

In its 2021 report, DOI made 23 recommendations intended to “strengthen the budgeting, invoicing, and auditing of the nonprofit contracts.”¹¹ Of these, 18 were directed at the respective agencies and five were directed at MOCS. Of the 18 agency-directed recommendations, seven are related to the primes’ oversight of subcontractors. (Appendix I shows the list of seven recommendations.)

The auditors found that DOHMH has implemented all agency-directed recommendations related to oversight of subcontractors. DOHMH’s proactive implementation of DOI’s recommendations is positive. On April 22, 2025, the auditors 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 and MORMC explained that they are jointly working on Citywide policies to try to implement the recommendations, along with the agencies.

M/WBE Spending

5.1% of Spending on For-Profit Subcontractors on Sampled Human Services Contracts Went to M/WBEs for FYs 2022 and 2023

Human Services contracts do not fall under the City’s mandatory M/WBE participation goals. In its annual report on M/WBE procurement, the Comptroller’s Office stated that Human Services contracts accounted for the largest share of contracts in FY2024, in both volume and value.¹² DOHMH Human Services contracts account for \$739,271,772 (33.6%) of the \$2,201,798,311 spent on prime contracts during FY2024. According to Checkbook NYC, 20.1% 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 held by DOHMH used M/WBE vendors as subcontractors, but Checkbook NYC and FMS did not have sufficient information to make this determination because DOHMH failed to ensure that prime vendors

¹¹ [23NFPRelease.Rpt.11.10.2021.pdf](#)

¹² [Annual Report on M/WBE Procurement: FY24 Findings and Recommendations](#), issued in February 2025 by the Bureau of Contract Administration.

recorded subcontractor payments in PIP, as required. Due to the lack of information in PIP, auditors could not identify the total number of subcontractor payments on all DOHMH 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 29 subcontractors (eight unapproved and 21 approved) used to support the sampled contracts; the amounts paid to these 29 subcontractors was approximately \$9.07 million. Of the 29 subcontractors, seven 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 seven for-profit subcontractors revealed that for FYs 2022 to 2024, only one subcontractor was certified as an M/WBE by the Department of Small Business Services (SBS). Payments made to this M/WBE from FY2022 through FY2023 (no payments were made in FY2024) totaled \$32,500—5.1% of the \$634,114 paid to the seven for-profit subcontractors, as shown in Table 3 below.

Table 3: 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	7	\$16,500	1	\$15,000	
2023		\$617,614		\$17,500	
2024		\$0		\$0	
Total		\$634,114		\$32,500	5.1%

*Subcontractors were utilized in more than one year.

After the Exit Conference, DOHMH stated (and auditors confirmed) that in DOHMH's Human Services RFP, under "Subcontractors Requirements," vendors are encouraged to use certified M/WBEs when employing for-profit subcontractors. The auditors recommend that DOHMH continue to encourage primes to increase their use of M/WBE subcontractors to assist the City in meeting its broader equity goals.

Recommendations

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

1. Ensure that payments on contracts for subcontracting expenses are for vendors that have been approved by DOHMH to be subcontractors on those contracts.

DOHMH Response: DOHMH agreed with this recommendation.

2. Prevent payments to unapproved subcontractors by carefully reviewing HHS invoices submitted by the primes. Continue to periodically review prime vendors' general ledgers and request and review subcontractors' agreements and invoices.

DOHMH Response: DOHMH agreed with this recommendation.

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

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

4. Make all reasonable efforts to ensure that FMS accurately reflects subcontractor approvals and industry classifications.

DOHMH Response: DOHMH agreed with this recommendation, however it stated that this recommendation is no longer necessary "as all subcontract approvals are now completed in and updated by PASSPort."

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

DOHMH Response: DOHMH said that the recommendation was unnecessary, stating that it already has a process in place allowing it to document the results of subcontractors' reviews.

Auditor Comment: DOHMH did not consistently document the vetting process. As stated earlier, Responsibility Determinations—an assessment of a vendor's capability to perform the contractual requirements—were not provided for two of the eight sampled subcontractors that required one. The auditors urge DOHMH to ensure that the process by which subcontractors are approved is documented in PASSPort.

6. Ensure that competitive bidding is conducted by prime vendors when selecting subcontractors.

DOHMH Response: DOHMH agreed with this recommendation.

7. Review sub agreements and ensure that prime contractors are providing prompt payments to its subcontractors.

DOHMH Response: DOHMH agreed with this recommendation, stating that it has already been partially implemented.

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

DOHMH Response: DOHMH said that the recommendation is unnecessary because it already regularly uses M/WBE vendors when contracting for goods, professional, construction, and standard services. The agency stated that it “will continue to prioritize the utilization of M/WBE prime vendors and will continue to encourage prime vendors to utilize M/WBE subcontractors.”

Auditor Comment: In addition to contracts in industries with M/WBE goals, auditors urge DOHMH to also encourage the use of M/WBE utilization for contracts in industries without M/WBE goals, such as Human Services contracts.

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 DOHMH organizational structure and operations related to the subcontracting process, and the roles of the staff in the management of the subcontractors, we 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, we 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 Directives # 2:Cost Reimbursable Contract Payment Request Audits & 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, we interviewed officials from the Program Units, the Office of Procurement, and the Finance Unit. Furthermore, we conducted walkthrough observations with the officials of these units and the Division of Disease Control to better understand the subcontractor utilization processes. Auditors further observed the closeout process for one of the prime vendors called PHS.

To evaluate DOHMH's internal controls and further determine whether DOHMH complies with the utilization of subcontractor related policies and procedures, and to obtain an understanding of the relevant rules and regulations, we obtained the following for review: (1) DOHMH Subcontractor Approval Policies; (2) HHS financials invoices; (3) NYC Department of Health and Mental Hygiene Fiscal Manual for Human Services; (3) Fiscal Manual for Finance Staff; (4) Standard Health And Human Services Invoice Review Policy, Effective January 1st, 2021; (5) Public Health Solutions Master Administrator Contract (PHS MAC) # 15AC024001R1X00 - Roles and Responsibilities, Issued July 1, 2019; (6) FPHNY NA - Supporting Documentation Checklist; and (7) Approved Subs in FMS FY20-23 above \$20K, and any relevant information obtained from DOHMH's website. We also determined whether DOHMH complied with relevant requirements in all these policies and regulations we reviewed. During our walkthrough observations, we 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, we observed the responsibility determination process by meeting with staff from the ACCO's office.¹³ The auditors used a checklist to verify DOHMH's subcontractor's integrity verification of government databases such as PASSPort, PIP, FMS, and DOF, and other search engines.

To obtain an understanding of prime vendors' invoicing and payment approval processes, auditors conducted an observation of the PAYRS computer system with staff from the Fiscal Management unit. Auditors review the PAYRS application user roles and its interface with FMS system.

To assess DOHMH's compliance with the procedures and rules, and to see if the agency has internal control in place, we generated a list of DOHMH 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, we randomly selected two prime vendors that used subcontractors (Community Counseling & Mediation [CCMS] and Fund for Public Health [FFPH]) and two that did not use subcontractors (Fund for the City of New York, Inc. and the Institutes for Community For Living, Inc.). We 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 DOHMH, auditors compared this information to subcontracting information reported in the Checkbook database, FMS, PIP, Bureau of Contract Administration (BCA), for Fiscal Years 2022 and 2023 obtained for our sampled prime vendors and subcontractors. Auditors compared these 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 our sampled prime vendors and subcontractors. To ensure that DOHMH properly monitored the subcontracting process, auditors compared DOHMH 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 to 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 ledgers included the sampled subcontractors and whether the correct amounts were paid by comparing to HHS Accelerator and the Payment Request System (PAYRS) amounts. Furthermore, the auditors analyzed whether the general ledger included potential subcontractors that were not approved by DOHMH's ACCO.

To determine whether the prime contractors were paying the subcontractors in a timely manner, the auditors asked DOHMH to identify the mechanisms employed to ensure that this was being done. Auditors also obtained the invoices with the proofs of payment for sampled subcontractors and calculated the time between the invoice dates and the date the payments were made to those

¹³ The draft report stated that to obtain an understanding of the vetting process, the auditors observed the responsibility determination through the subcontractor's integrity verification using a checklist that consists of government databases such as PASSPort, PIP, FMS, and DOF. DOHMH's response to the draft quoted this section and stated that DOHMH disagrees with the auditors' assertion that DOHMH maintains evidence of the vetting they conduct on subcontractors. To clarify, the auditors met with ACCO's staff to understand the vetting process and the auditors created their own checklist of the tools used by DOHMH to vet the subcontractors. These sentences were modified for the final report.

subcontractors. Auditors also inquired about 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 complaints), as well as the current status of the complaint for review, to determine if it met the 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 our sampled subcontractors and prime vendors for any red flags or relevant information.

Even though DOHMH is not required to meet Local Law 1 of 2013 M/WBE utilization requirements due to its contracts being the majority human services contracts, the audit team analyzed three years from Fiscal Years 2022 through 2024 worth of information 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 the utilization of the M/WBE contractors by DOHMH 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 DOHMH's oversight or prime vendors use of subcontractors.

Appendix I

DOI's 2021 Recommendations Related to Oversight of Contractors Subcontractors

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.	<p>MOCS and MORMC are working along with the HHS Vendor Compliance Cabinet on Citywide policy to be implemented in the future.</p>

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	



NEW YORK CITY DEPARTMENT OF HEALTH AND MENTAL HYGIENE
Michelle Morse, MD, MPH
Acting Commissioner
Gotham Center

42-09 28th St.
Long Island City, NY 11101

June 26, 2025

Maura Hayes-Chaffe
Deputy Comptroller for Audit
Office of the Comptroller
1 Centre Street Room 1100
New York, NY 10007-2341

Re: Response to Draft Audit Report on The Department of
Health and Mental Hygiene's Oversight of Prime Vendors'
Use of Subcontractors on Health and Human Services
Contracts FP24-068A

Dear Maura Hayes-Chaffe:

The NYC Department of Health and Mental Hygiene (Health Department or DOHMH) reviewed the draft audit report on its oversight of prime vendors' use of subcontractors on Health and Human Services Contracts. The stated objective of the audit was to assess whether DOHMH established proper oversight over the subcontracting process, and to suggest improvements to mitigate the risk of fraud, misuse, and waste of City funds. The scope of the audit was fiscal year 2022 through fiscal year 2024.

The Health Department appreciates the auditors' efforts during the audit process and for their courtesy and professionalism.

Attached is the Health Department's response to the draft audit report. If you have any questions or need further information, please contact Sara Packman, Assistant Commissioner, Audit Services, at spackman@health.nyc.gov or at (347) 396-6679.

Sincerely,

A handwritten signature in black ink, appearing to be "MM", written over a horizontal line.

Michelle Morse MD, MPH
Acting Commissioner

CC:

Emiko Otsubo, Chief Operating Officer/Executive Deputy Commissioner, DOHMH
Aaron Anderson, Chief Financial Officer/Deputy Commissioner, DOHMH

**RESPONSE TO THE NEW YORK CITY COMPTROLLER'S OFFICE AUDIT REPORT
ON THE DEPARTMENT OF HEALTH AND MENTAL HYGIENE'S OVERSIGHT OF
PRIME VENDORS' USE OF SUBCONTRACTORS ON HEALTH AND HUMAN
SERVICES CONTRACTS**

Audit Number FP24-068A

The Department of Health and Mental Hygiene (DOHMH, or Department) reviewed the draft report on its oversight of prime vendors' use of subcontractors on Health and Human Services Contracts. The stated objective of the audit was to assess whether DOHMH established proper oversight over the subcontracting process, and to suggest improvements to mitigate the risk of fraud, misuse, and waste of City funds. The scope of the audit was fiscal year 2022 through fiscal year 2024.

The auditors found that DOHMH has implemented all of DOI's agency-directed recommendations related to oversight of subcontractors and confirmed that DOHMH encourages vendors to use certified MWBEs when employing for-profit subcontractors. However, the auditors conclude that DOHMH has several deficiencies in our oversight of prime vendors use of subcontractors. DOHMH does not always ensure that prime vendors obtain the required approvals from DOHMH before subcontractors begin work on a subcontract. Also, required bidding documents were not always maintained. They also conclude that DOHMH did not enforce requirements that prime vendors timely record the subcontractors they use and the payments they made to these subcontractors in the system (now PASSPort, formerly PIP). The auditors also assess that DOHMH lacks a mechanism to ensure that prime vendors pay subcontractors timely.

The auditors make eight recommendations to DOHMH, with which we generally agree. Some of the recommended processes are already in place or steps have been taken to implement necessary process improvements.

Their recommendations and DOHMH's responses follow.

Issue 1: DOHMH's Prime Contractors Paid \$2.9 Million to Subcontractors Not Authorized to Work on Sampled Contracts

The auditors state that DOHMH does not reliably confirm that its prime vendors hire subcontractors that have been authorized to work on contracts. They claim that subcontractors not approved to work on the sampled contracts received about \$2.9 million in payments from prime contractors. They also reported that they found documentation errors with two subcontractors--one was misclassified in FMS as "Professional Services" under the industry category and the approval status for the other subcontractor was erroneously listed as "Pending Approval".

DOHMH's response: DOHMH acknowledges that, due to a clerical error, seven of the eight subcontracts listed in Table 1 were initially entered into PIP in July 2021 under the wrong prime

contract ID in FMS with the same vendor, FPHNY. The subcontracts were assigned an FPHNY subcontract/PIN number. The subcontractors were vetted and approved for the work.

Work under the seven subcontracts did not begin until more than six months later. During this time, the clerical error was discovered and corrected; the subcontractors performed contracted work and received payment under the assigned subcontract number and correct prime contract. Further, four of the subcontractors listed in Table I did not receive payment nor should they have been approved under contract ID 20228807629, as is indicated in the table.

Auditors' Recommendations:

1. DOHMH should ensure that payments on contracts for subcontracting expenses are for vendors that have been approved by DOHMH to be subcontractors on those contracts.

DOHMH's response: We agree with this recommendation.

2. DOHMH should prevent payments to unapproved subcontractors by carefully reviewing HHS invoices submitted by the primes. Continue to periodically review prime vendors' general ledgers and request and review subcontractors' agreements and invoices.

DOHMH's response: We agree with this recommendation. It has been implemented as follows. Prime vendors are required to submit agreements with subcontractors to DOHMH during the integrity review process and submit general ledgers with related invoices to request cost reimbursements from DOHMH.

4. Make all reasonable efforts to ensure that FMS accurately reflects subcontractor approvals and industry classifications.

DOHMH's response: We agree with this recommendation. However, this recommendation is no longer needed as all subcontract approvals are now completed in and updated by PASSPort and there will be no possibility to update PIP and not update FMS as was in the past.

Issue 2: Vetting and Approval of Documents Not Consistently or Properly Maintained.

The auditors reported that "Even though DOHMH's policy requires subcontractor vetting and background checks for subcontracts valued at \$20,000 or more, the auditors did not find any evidence (such as documentation) to indicate that DOHMH did this."

DOHMH's response: DOHMH disagrees with the auditors' assertion that they saw no evidence that DOHMH maintains evidence of the vetting they conduct on subcontractors. In their audit methodology section, the auditors state:

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

The auditors neglect to mention that in October 2023 they interviewed DOHMH's staff, including a staff person from the ACCO's Office who is responsible for conducting integrity

review of the subcontractors. The auditors requested and received integrity review documents for their sampled 21 subcontracts. In all cases, the searches were completed, and the search results were provided.

Auditors' Recommendation:

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

DOHMH's response: This recommendation is not needed. DOHMH already has a process in place, whereby we document results of subcontractors reviews.

Issue 3: DOHMH Does not Ensure That Prime Vendors Solicit Estimates from Subcontractors

The auditors report that they found no evidence that bids were obtained for three of the 13 sampled subcontractors that required a bidding process.

Auditors' Recommendation:

6. DOHMH should ensure that competitive bidding is conducted by prime vendors when selecting subcontractors.

DOHMH's response: We agree with this recommendation.

Issue 4: Subcontractors not Recorded or Approved in PIP for Sampled Contracts in a Timely Manner

The audit found that for 19 of the 21 sampled subcontractors, the vendors recorded the subcontracts in PIP 35 to 574 days after the subcontract start date. In four instances the subcontract was recorded one year after the start date of the subcontract. In addition, for 19 of the sampled subcontracts, DOHMH's approval ranged from 41 to 706 days after the subcontracts' start date.

Issue 5: DOHMH did not Ensure that Prime Vendors Recorded Payments to Subcontractors in PIP

The auditors reported that their review of vendors' general ledgers and PIP disclosed that reported payments made to 16 of the 21 sampled subcontractors were partially or not at all recorded in PIP.

Auditors' Recommendation:

3. DOHMH should ensure that prime vendors are submitting subcontractors' information including sub-agreements and payment information in PASSPort (previously PIP and HHS Systems).

DOHMH's response: We agree with this recommendation, and it has already been implemented.

DOHMH previously identified the issue relevant to PIP (issue 4 above) and implemented guidelines that help prevent late recording of subcontracts in PIP. Consistent with this 3rd recommendation, DOHMH already requires its prime vendors to submit subcontract agreements as part of the subcontractor approval process. In fiscal year 2024, DOHMH implemented enhancements to our subcontracting processes to ensure that vendors are recording payments to their subcontractors in PASSPort in a timely fashion.

Issue 6: DOHMH does not Ensure Timely Payment to Subcontractors

The audit found that DOHMH does not closely monitor prime contractors' payments to subcontractors or require prime contractors to submit subcontractors' invoices as supporting documents in the system. The auditors also report that they were informed by DOHMH that subcontractors who provide services under the Citywide Doula Initiative (CDI) had complained about payment delays.

DOHMH's response:

DOHMH provided the auditors with invoice files for each of their sampled 21 subcontractors that included the prime vendor's invoice, related general ledger, and subcontractor invoice with support documentation.

Relevant to delays in payment delays to doulas under Citywide Doula Initiative, since the inception of the CDI in March 2022, doulas are required to submit monthly invoices to a CDI subcontractor to be paid for services they provide. The subcontractor pays the doulas and submits an invoice to the prime contractor, FPHNY to receive payment. Both doulas and subcontractors have voiced challenges navigating the invoicing process. Delays oftentimes occur in the process leading to delayed payment. In addition, FPHNY did a major migration of its finance/accounting system in the Fall of 2022 that created additional challenges

Several solutions were put in place to address the invoicing/payment issues: FPHNY made cash advance payments available to the subcontractors beginning in December 2022; FPHNY held an Invoicing 101 training on February 7, 2023; and FPHNY began contractually requiring the vendors/subcontractors to submit proof of payments they made to their doulas with the invoice they submit.

Issue 7: Inconsistent Guidance Concerning Payment of Subcontractors

The auditors reported that although PPB Rules stipulate that City Agencies must pay prime vendors within 30 days of receipt of an invoice, there is no clear guidance regarding a timeframe in which primes must make payments to human service subcontractors. Such guidance could be included

in the subcontract agreement between the prime vendor and the subcontractor. They also stated that they found that DOHMH requires its vendors to demonstrate that they had paid the subcontractors when seeking reimbursement from DOHMH.

Auditors' Recommendation:

7. DOHMH should review sub-agreements and ensure that prime contractors are providing prompt payments to its subcontractors.

DOHMH's response: DOHMH agrees with this commendation and has already partially implemented it. DOHMH reviews sub-agreements and moving forward will check to see that prompt payment language is included.

Issue 8: M/WBE Spending

The auditors attempted to identify the extent to which Human Services contracts held by DOHMH used M/WBE vendors as subcontractors. A review of seven sampled for-profit subcontractors revealed that for FYs 2022 to 2024, only one subcontractor was certified as an M/WBE by SBS.

Auditors' Recommendation:

8. DOHMH should consider increasing its use of M/WBE contractors and continue to encourage the agency's prime vendors to increase their use of M/WBE subcontractors.

DOHMH's response: This recommendation is not needed for the following reason.

DOHMH regularly utilizes M/WBE vendors when we contract for goods, professional, construction and standard services. Our commitment to M/WBE vendors is demonstrated by our high utilization of the M/WBE Small Purchase Method. In FY '25 to date, we have registered 58 contracts, valued at more than \$50 million using this method.

DOHMH will continue to prioritize the utilization of M/WBE prime vendors and will continue to encourage prime vendors to utilize M/WBE subcontractors.





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