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Audit Report on the Department of Social Services' Oversight of Prime Vendors' Use of Subcontractors on Health and Human Services Contracts

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Audit Impact

Summary of Findings

The audit found that Human Resources Administration (HRA) and Department of Homeless Services (DHS) (administrative units of the Department of Social Services [DSS]) did not enforce the requirement that prime vendors document or record all the subcontractors they use or the payments made to them in PIP and HHS Accelerator. Both agencies lack a mechanism to ensure that subcontractors are paid by prime vendors for the work performed in a timely manner, which may affect the continued operation and provision of services by subcontractors.

The audit also identified several deficiencies that were specific to HRA. The agency does not consistently ensure that prime vendors obtain the required approvals before hiring subcontractors. For those that are approved, the agency lacks evidence that they were properly vetted. As a result, unauthorized subcontractors were paid almost \$1.7 million during the audit scope period of Fiscal Years 2022 through 2024.

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 HRA did not use any Minority and Women-Owned Business Enterprises (M/WBEs) for the sampled contracts. For DHS, 4.3% of the monies spent on the sampled contracts' for-profit subcontractors went to M/WBEs.

Intended Benefits

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

Introduction

Background

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

DSS, one of the City's HHS agencies, is the umbrella agency of both DHS and HRA, which provide social services to New Yorkers.² HRA assists over three million low-income and vulnerable New Yorkers annually through the administration of more than 12 major public benefit programs. DHS provides temporary emergency shelter to all New Yorkers in need and helps individuals and families transition into permanent housing and self-sufficiency. DHS and HRA remain two separate entities, though both operate under the purview of the DSS commissioner.

DSS contracts with non-profit and for-profit providers, referred to as “prime vendors.” Prime vendors sometimes enter into subcontract agreements with other vendors to ensure that they are complying with contractual terms. For example, DHS and HRA may contract with a prime vendor to provide services at a homeless shelter. The prime vendor can then enter into an agreement with a subcontractor that has a catering business to provide the meals at the shelter.

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

¹ 9 RCNY §1-01(e)

² In April 2016, Mayor de Blasio consolidated both agencies under one Commissioner in order to combat homelessness and reduce duplication of services and inefficiencies.

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.”

Business Enterprise (EBE) or a Minority and Women-owned Business Enterprise (M/WBE), if applicable.

Section 3.02 A-2 (a) of Appendix A of the standard template typically used for health and human services contracts—titled *General Provision Governing Contracts For Consultants, Professional, Technical, Human, And Client Services*—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.”

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).

DSS’ Subcontracting Process

In addition to the PPB Rules outlined above, DSS follows its own subcontracting process. According to DSS’ policies, which cover both DHS and HRA contracts, if the subcontract is less than \$25,000, the prime vendor must register the subcontractor in PASSPort, the subcontractor must be active and added to the prime contract in PIP and the prime must submit the subcontractor on their subcontractor log.

If the subcontract is more than \$25,000, in addition to the steps described above, the prime vendor must submit a Subcontractor Approval Form (SAF) to the DSS Agency Chief Contracting Officer (ACCO) for approval of the subcontractor. They must also submit three bids; if the lowest bidder is not selected, they must explain the reason for the selection. Vetting is also conducted for subcontracts valued at more than \$25,000. DSS’ Finance Unit is responsible for the approval of subcontractors, while the two agencies’ (HRA and DHS) program staff are responsible for the approval of contract budgets and invoices submitted by primes. The Finance Unit is then responsible for issuing payments to primes based on program staff’s approval of invoices.

City Systems Involved in Subcontract Process

During the audit’s scope period from Fiscal Years 2022 through 2024, most HHS agencies used the following systems in the subcontracting process:

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

On July 31, 2024, HHS Accelerator was taken offline and all procurement processes were transferred to PASSPort. In addition, on September 23, 2024, all subcontractor management previously handled through PIP was also transferred to PASSPort. Since completion of the audit,

all subcontractor functionalities previously managed through PIP and HHS Accelerator have now transitioned to PASSPort, which manages every stage of the procurement process.

Historical Issues

The subcontracting process has 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 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 the Department for the Aging (NYC Aging). This specific report examines DSS' oversight.

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.

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 DSS 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 DSS

The matters covered in this report were discussed with DSS officials during and at the conclusion of this audit. An Exit Conference Summary was sent to DSS and discussed with DSS officials at an exit conference held on June 23, 2025. On July 9, 2025, we submitted a Draft Report to DSS with a request for written comments. We received a written response from DSS on July 23, 2025. In its response, DSS partially agreed with two recommendations and disagreed with five recommendations.

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

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

Detailed Findings

There are several deficiencies in the oversight of prime vendors and subcontractors by DHS and HRA, the agencies under DSS' oversight.

The audit found that neither agency enforced the requirement that prime vendors document or record all the subcontractors they use or the payments made to them in PIP or HHS Accelerator. Both agencies lack a mechanism to ensure that subcontractors are paid by prime vendors for the work performed in a timely manner, which may affect the continued operation and provision of services by subcontractors.

The audit also identified several deficiencies that were specific to HRA. The agency does not consistently ensure that prime vendors obtain the required approvals before hiring subcontractors. For those that are approved, the agency lacks evidence that they were properly vetted. As a result, unauthorized subcontractors were paid almost \$1.7 million during the audit scope period of Fiscal Years 2022 through 2024.

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

The audit attempted to examine the use of M/WBEs as subcontractors on 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 DSS does not have a complete record of subcontracting vendors. Subsequently, the auditors examined subcontractors utilized on sampled contracts.

The prime contractors on sampled HRA contracts utilized no for-profit subcontractors, while the primes on the sampled DHS contracts utilized four for-profit firms. Of the four for-profit subcontractors, two were certified M/WBEs. Of the \$514,404 paid to subcontractors during FYs 2022 through 2024, \$22,245 (4.3%) went to M/WBEs. 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.

DSS Agencies' Oversight of Prime Vendors' Use of Subcontractors is Inadequate

Neither DSS agency—HRA or DHS—has a mechanism to independently confirm the subcontractors used by prime vendors, or to review prime vendors' ledgers to determine which subcontractors are being paid and whether there are any previously unidentified subcontractors. In addition, prime vendors did not provide evidence of payments to subcontractors in the HHS system as required during the scope period.

DSS also does not document its subcontractor vetting and background checking processes, nor does it ensure that prime vendors make timely payments to their subcontractors.

Subcontractors on HRA and DHS Contracts Not Consistently Recorded in PIP

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.⁷ Entering subcontractors' information in City systems provides transparency and helps with tracking payments. For subcontracts valued at either less or more than \$20,000, primes were required to list information on the subcontractors in PIP. However, DSS did not ensure that all subcontractors were recorded by the prime and approved in PIP in a timely manner. Table 1 below shows these delays for HRA and DHS.

Table 1: Delays in HRA's and DHS' Recording and Approval of Sampled Subcontractors After Subcontract Start Date in PIP

Prime Vendor	Contract #	Subcontractor	Subcontract Start Date	Date Recorded in PIP	Days Between Start Date and Recording in PIP	DSS Approval in PIP (Record date 8/9/2024)	Days Between Start Date and Approval in PIP
HRA							
Catholic Charities Community Services Archdiocese of NY	20238804543	African Communities Together Inc.	11/1/2022	3/17/2023	136	6/6/2024	583
		Aid for Aids International Inc.	11/1/2022	3/17/2023	136	Pending	N/A
		Mercy Center Inc.	11/1/2022	3/8/2023	126	Pending	N/A
		Make the Road New York	1/1/2022	3/9/2023	67	Pending	N/A
		Catholic Charities of Staten Island Inc.	11/1/2022	3/17/2023	136	6/6/2024	583
		Catholic Charities Neighborhood Services Inc.	11/1/2022	3/17/2023	136	6/6/2024	583
		Mexican Coalition for the Empowerment of Youth & Families	11/1/2022	3/17/2023	136	Pending	N/A
		Mixteca Organization Inc.	11/1/2022	3/9/2023	128	Pending	N/A

⁷ As of September 23, 2024, subcontractor management is no longer conducted in PIP. All procurement processes are now conducted in PASSPort.

Prime Vendor	Contract #	Subcontractor	Subcontract Start Date	Date Recorded in PIP	Days Between Start Date and Recording in PIP	DSS Approval in PIP (Record date 8/9/2024)	Days Between Start Date and Approval in PIP
		New Immigrant Community Empowerment Inc.	11/1/2022	3/8/2023	127	Pending	N/A
Arbor E&T LLC	20238800942	Visiting Nurse Service of NY Homecare II	2/1/2022	5/18/2023	471	Pending	N/A
	20228803389		2/1/2022	5/18/2023	471	Pending	N/A
DHS							
Women in Need	20238800262	The Bachrach Group LTD	7/1/2022	5/2/2023	305	7/20/2023	384
Service for the Underserved	20228806382		7/1/2023	8/4/2023	34	12/2/2023	154
	20228805305		7/1/2023	8/4/2023	34	12/2/2023	154
	20228805305	Ascendo Resources LLC	7/1/2023	8/4/2023	34	12/4/2023	156
Common Ground	20238802022	Project Renewal Inc.	7/1/2022	11/7/2022	129	Pending	N/A
	20228800329		7/1/2022	11/7/2022	129	Pending	N/A
SUS-Urgent Housing Programs Inc.	20238800595	Soloh Partners Inc.	7/1/2023	8/4/2023	34	Pending	N/A
		Ascendo Resources LLC	7/1/2023	8/4/2023	34	12/4/2023	156
		United Staffing Solutions Inc.	7/1/2023	8/4/2023	34	12/7/2023	159
		The Bachrach Group LTD	7/1/2023	8/4/2023	34	12/7/2023	159
			7/1/2023	8/4/2023	34	12/7/2023	159
	20228803425	Soloh Partners	7/1/2023	8/4/2023	34	12/4/2023	156
		Ascendo Resources LLC	7/1/2023	8/4/2023	34	12/4/2023	156

As shown above in Table 1, the audit's review of sampled contracts found that prime contractors for both HRA and DHS did not record their subcontractors in PIP in a timely manner. For HRA, delays in the recording of the subcontractors in PIP from the sub-agreement start date ranged from 67 to 471 days. In addition, because of the late recording in PIP, HRA did not approve the subcontracts timely. For most of the sampled contracts, approval in PIP was still pending as of August 2024 (the last time the audit team checked PIP).⁸ For the three subcontracts that were approved in PIP, HRA took over a year to approve from the subcontract's start date.

⁸ The HRA subcontractors that appeared as pending approval in PIP were approved in PASSPort on November 12, 2024, but records show they began providing services in January and March 2023. For DHS subcontractor, Project Renewal, PASSPort shows an approval on October 11, 2025, but the prime's general ledger showed that it was providing services as of July 2021, another subcontractor Soloh Partners was providing services as of April 2022. The finding remains the same as the subcontractors in question were providing services more than a year prior to being approved in PASSPort.

For DHS, the delays in recording the subcontractors for the sampled contracts ranged from 34 to 305 days from the start date of the sub agreement. Delays in DHS approvals ranged from 154 to 384 days. As of August 2024, some DHS approvals were still pending. At the Exit Conference for this audit, DSS officials stated that the agency had encountered technical issues with PIP. (Officials did not indicate the specific nature of those issues.)

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

HRA and DHS Do Not Ensure that Prime Vendors Record Subcontractors' Payments in PIP or HHS Accelerator

As per Appendix A Section 3.02 (H), "The Contractor shall report in the City's Payee Information Portal payments made to each subcontractor within 30 days of making the payment." However, the audit found that HRA's and DHS' prime contractors failed to record their subcontractors' payments in PIP. The audit team reviewed the general ledgers for HRA's sampled prime contracts and found that just \$1.4 million of \$9.8 million in total payments made to subcontractors were reported in HHS Accelerator (no payments were recorded in PIP). For DHS, the primes failed to record \$2.4 million in payments to the sampled subcontractors in any of the systems. As mentioned earlier, DSS cited technical issues with PIP as reasons why payments were not recorded in the system.

The absence of subcontractors' payment information in PIP and HHS Accelerator suggests a lack of transparency in the use of subcontractors. By reviewing City systems, the auditors could not determine if payments to subcontractors were made promptly, if at all. Instead, the auditors were forced to review the primes' general ledgers to determine if payments were made.

HRA and DHS Do Not Ensure that Prime Vendors Make Timely Payments 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 with their subcontractors should state the payment timeframe. Further, MOCS has developed a *Standard Subcontract Agreement* template that may be used by primes; according to that template, payment is generally due upon receipt of a proper invoice from the subcontractor.

The audit found that DHS and HRA do not closely monitor prime contractors' payments to subcontractors, nor do they require prime contractors to submit subcontractors' invoices as supporting documents in the system. Because of this, auditors could not determine whether payments were made in a timely manner.

Subsequently, the audit team requested that sampled prime contractors provide invoices and cancelled checks related to services rendered by subcontractors to conduct their own review of subcontractor payments for the contract period covering FYs 2022 through 2024.⁹ Auditors found instances when subcontractors experienced significant delays in payment.

Specifically, for the DHS sampled contracts, the auditors found that 63 of the 327 sampled invoices—in total, \$109,675 of approximately \$2.2 million—were paid late. The delay between the invoice dates and the payment dates ranged from 31 to 89 days.

The auditors found the same issue with the sampled HRA contracts, where 41 of the 101 sampled invoices—in total, \$2.4 million of approximately \$8 million—were paid late. The delay between the invoice date to the payment date ranged from 33 to 165 days.

For the sake of transparency and tracking, DSS 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 DSS 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 Rules, City agencies must pay prime vendors within 30 days of receipt of an invoice, but there is no established period in which prime vendors must pay their subcontractors. As noted above, MOCS has established a subcontractor agreement template recommending 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. A review of some sampled subcontract agreements showed reasonable payment terms (within 30 days of receipt of invoice). DSS should emphasize to its prime contractors that all subcontract agreements contain a provision that calls for prompt payments to subcontractors.

As discussed in the previous section, the auditors found late payments from the prime vendors to subcontractors at both HRA and DHS. City fiscal policy 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. The auditors found no evidence that the primes in the sampled contracts requested reimbursement before paying the subcontractors for their services. Nonetheless, HRA and DHS should be reviewing subcontract agreements for a prompt payment clause and ensure that primes are making timely payments to subcontractors.

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

HRA Prime Vendor Paid Almost \$1.7 Million to Unauthorized Subcontractors

The audit found that HRA does not reliably confirm that its prime vendors hire only approved and vetted subcontractors. A review of sampled contracts for HRA found that unapproved subcontractors received almost \$1.7 million in payments from prime contractors. DSS 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. DSS' Subcontractor Approval policy also requires that the agency grant final approval before contract work begins.

The auditors randomly selected two prime vendors awarded three contracts that used 10 approved subcontractors. They also 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 DSS. Table 2 below details the sampled contracts' use of unapproved vendors.

Table 2: HRA Sampled Vendor Contracts Utilizing Unapproved Subcontractors

Prime Vendor	Prime Vendor Contract #	Unapproved Subcontractor	Fiscal Year	Prime Payment Unapproved Subcontractor
Catholic Charities Community Services Archdiocese of NY	20238804543	The International Child Program	2024	\$73,334
		Aid for Life	2024	\$50,000
		Language Service	2023–2024	\$208,811
		The Church of Saint Theresa	2024	\$80,800
		Staten Island Community Job Center DBA La Colmena	2022–2023	\$239,584
		Catholic Charities of Brooklyn and Queens	2023–2024	\$1,031,334
				\$1,683,863

As shown above, the prime vendors paid \$1,683,863 to unapproved subcontractors without HRA's knowledge.¹⁰ DSS' response to this finding claims that the above organizations do not

¹⁰ As of July 7, 2025, the subcontractors The International Child Program and Staten Island Community Job Center DBA La Colmena appear in PASSPort as "pending approval." Based on the auditors' review of the prime's general ledgers, The International Child Program was providing services as of August 2023, and Staten Island Community Job Center as of November 30, 2022.

need to be approved because they are not subcontractors but “vendors.” The HHS Cost Manual defines a vendor as an organization hired on an HHS contract to provide “non-programmatic services or goods.” The HHS Cost Manual, Appendix VI – Subcontractor Policy defines a subcontractor as an organization “hired on a health and human services contract to perform or directly deliver a part of the prime contractors’ programmatic contractual obligations.” Based on these definitions, the organizations mentioned above are clearly subcontractors and are subject to agency approval.

The unapproved subcontractors of Catholic Charities Community Services Archdiocese of NY, the prime in contract with HRA, provided services to asylum seekers, such as housing and educational support. One of them, Staten Island Community Job Center (doing business as La Colmena) was even listed as a proposed subcontractor in the contract, which means it would have to be formally approved once the prime contract was approved.

HRA did not provide evidence showing that the prime requested approval for La Colmena and that the agency approved. HRA’s response was the Mayor’s Office of Immigrant Affairs (MOIA) manages this specific contract and that, going forward, DSS will work with MOIA and Catholic Charities to determine how the subcontractors were billed under the contract and whether approval was needed. The auditors note that the Request For Proposal (RFP) for this contract (# 20238804543) stated that HRA partnered with MOIA to retain a vendor that would provide service operations and case management services at an “NYC Asylum Seeker Service Navigation Center.” The RFP included the notation that “any subcontracted work is subject to *HRA* approval in accordance with the City’s formal subcontractor approval process.”

Additionally, DSS does not review prime vendors’ general ledgers to ensure that only approved subcontractors are hired, invoiced to DSS, and paid prior to the primes’ requesting payment.

To prevent payments to unapproved subcontractors, DSS 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 HRA Vetted Approved Subcontractors

Even though DSS’ policy requires that proposed subcontractors be vetted and background checks be conducted for subcontracts valued at \$25,000 or more, the auditors did not always find evidence (such as documents) to indicate that vetting and background checks were conducted by HRA. HRA did not maintain evidence of its vetting of approved subcontractors. Furthermore, at times, SAFs were not completed correctly (e.g., incorrect contract description, boxes not checked).

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

The auditors conducted an online search for the six unapproved subcontractors and found that one of them (Catholic Charities of Brooklyn and Queens) was involved in a Civil Court filing in 2018. While such information may not preclude subcontractors from ultimately being approved,

the lack of notice by the prime vendor hinders HRA's ability to ensure that subcontractors are qualified and able to provide satisfactory service under this contract.

HRA 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.

DSS' *Office of Contracts Subcontracting FAQs* 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 DSS' 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 HRA did not maintain records of bids for any of the sampled subcontracts that required a bidding process. The auditors found no evidence of bids for any of the 11 subcontracts, as the prime contractors did not submit them. It is important that DSS ensures that competitive bidding is conducted so that the City gets the best value for services.

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."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.

The auditors found that three of the seven agency-directed recommendations have not been implemented. 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 explained that, along with MORMC, it is working with HHS agencies (including DSS) 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. (The Appendix shows the list of seven recommendations with the three not implemented by HRA and DHS in bold.)

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

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

M/WBE Spending

Analysis of DSS' M/WBE Spending on For-Profit Subcontractors on Sampled Human Services Contracts

Human Services contracts do not fall under the City's mandatory M/WBE participation goals. In its annual report on M/WBE procurement, our office stated that Human Services contracts accounted for the largest share—in both volume and value—of contracts in FY2024.¹² According to Checkbook NYC, 6% of the funds spent by DHS and 18% of funds spent by HRA on prime contracts in FY2024 were paid to M/WBEs.

The audit attempted to identify the extent to which Human Services contracts used M/WBE vendors as subcontractors, but Checkbook NYC and the Financial Management System (FMS) did not have sufficient information on payments to subcontractors. This is because DSS failed to ensure that prime vendors recorded subcontractor payments in PIP, as required. Due to the lack of information in PIP regarding DSS' subcontractors and payment amounts, the auditors could not identify the total number of subcontractor payments on all DSS Human Services contracts, or the percentage of such payments that went to M/WBEs. The auditors' testing was thus 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. For the sampled HRA contracts, the prime vendors used a total of 16 subcontractors (six unapproved and ten approved) during FYs 2022 through 2024; however, none were for-profit vendors for which M/WBEs could have been utilized. (Not-for-profit firms are not eligible for M/WBE certification.)

For the sampled DHS contracts, the prime vendors used four subcontractors during FYs 2022 through 2024, all of which were for-profit vendors. Of these, two were certified as M/WBEs. Payments made to these M/WBEs during the three-year period totaled \$22,245, accounting for 4.32% of the \$514,404 amount paid to all four for-profit subcontractors, as shown in Table 3 below.

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

Table 3: M/WBE Subcontractor Utilization on DHS 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	4	\$197,944	2	\$16,301	8.24%
2023	4	\$175,620	2	\$2,735	1.56%
2024	4	\$140,840	2	\$3,209	2.28%
Totals	4*	\$514,404	2*	\$22,245	4.32%

*Subcontractors were utilized in more than one year.

After the Exit Conference, DSS provided various statistics showing an increase in the contracting dollars that were awarded to M/WBEs from FYs 2022 through 2024. However, the increases appear to pertain to those industries for which there are mandatory M/WBE participation goals. The amount of contracting dollars that were awarded to M/WBEs on Human Services contracts is not shown. DSS stated that most subcontracting services for Human Services contracts are performed by not-for-profits and do not allow many opportunities for certified M/WBE vendors. Nonetheless, the auditors' review of the sampled contracts found that \$22,245 of \$514,404 was paid to two M/WBE subcontractors, indicating that opportunities do exist to support M/WBE contracting overall. DSS should consider increasing its use of M/WBE subcontractors on its Human Services contracts in the future to assist the City in meeting its broader equity goals.

Recommendations

To address the abovementioned findings, the auditors propose that DSS should:

1. Prevent payments to unapproved subcontractors by carefully reviewing invoices submitted by the primes, periodically reviewing prime vendors' general ledgers, and requesting and reviewing subcontractors' agreements and invoices.

DSS Response: DSS disagreed with this recommendation, stating that it follows internal policies and MOCS Standard Invoice Review Policy, which requires a limited number of line items to be sampled after payment. In addition, DSS stated that "reviewing a not-for-profit's general ledger does not indicate whether a third-party vendor is required to be approved."

Auditor Comment: As stated in the MOCS invoice review policy, agencies should utilize contractors' general ledgers to conduct testing of the aforementioned line-items. By reviewing the general ledgers, DSS would be able to identify whether prime vendors are making payments to any third parties that DSS had not approved to perform work on contracts. Therefore, the auditors urge DSS to reconsider its response and implement this recommendation.

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

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

Auditor Comment: DSS does not indicate the portion of the recommendation with which it disagrees. Nonetheless, the auditors are pleased that they have agreed to confirm that payments are made to subcontractors. The auditors urge DSS to also ensure that prime vendors are submitting sub agreements in PASSPort.

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

DSS Response: DSS disagreed with this recommendation and referenced its Agency subcontracting policies, FAQs, PPB rules, and PASSPort as guidance for the process it follows when vetting proposed subcontractors.

Auditor Comment: As stated in the report, the auditors were unable to ascertain the extent to which vetting occurred due to DSS' failure to maintain documentation showing evidence of such vetting. Therefore, the auditors urge DSS to implement this recommendation.

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

DSS Response: DSS disagreed with this recommendation and referenced its subcontracting policies and FAQs regarding the submission of three estimates for third-party agreements valued at more than \$25,000. In addition, DSS stated that if a contractor cannot obtain three bids, it is allowed to submit information justifying the lack of such bids.

Auditor Comment: The auditors found no evidence that bids were requested nor justification for the lack of bids for the HRA sampled subcontractors. The auditors urge DSS to enforce its subcontracting policies and implement this recommendation.

5. Review subcontract agreements for prompt payment stipulations and ensure that prime contractors are paying their subcontractors in accordance with those stipulations.

DSS Response: DSS partially agreed with this recommendation and stated that “With the introduction of the PASSPort subcontracting modules, DSS has been emphasizing the requirements for all prime vendors to have timely payments to third parties issued, documented and validated in PASSPort.”

Auditor Comment: DSS does not indicate the portion of the recommendation with which it disagrees. Nonetheless, the auditors urge DSS to also ensure that it reviews subcontract agreements for prompt payment stipulations and that prime vendors are paying subcontractors in accordance with these stipulations.

6. Implement DOI’s 2021 recommendations to City agencies. Comply with MOCS and MORMC policies and directives created to provide guidance in the implementation of the recommendations.

DSS Response: DSS disagreed with this recommendation and stated that it already complies with current MOCS policies. In addition, DSS stated that it actively participates in the HHS Vendor Compliance Cabinet, which is “intended to create citywide policies, including the policies necessary to implement the DOI recommendations.”

Auditor Comment: The auditors encourage DSS to work towards implementing DOI’s recommendations.

7. Continue to increase its use of M/WBE contractors and encourage the agency’s prime vendors to increase their use of M/WBE subcontractors in Human Service contracts.

DSS Response: DSS disagreed with this recommendation by stating that “Human Services contracts do not fall under the City’s mandatory M/WBE participation goals...”

Auditor Comment: For those third-party human service providers that are *not* non-profit entities, the auditors urge DSS to implement this recommendation and encourage prime vendors to increase their use of M/WBE firms.

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 DSS' organizational structure and operations related to the subcontracting process, and the roles of the staff in the management of the subcontractors, auditors requested 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 processes.

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 NYC Comptroller's Directives #2 (Cost Reimbursable Contract Payment Request Audits) and #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 process as well as the payment for services provided, auditors interviewed officials of the Office of Contracts (ACCO and Vendor Compliance and Relations Unit) and the Finance Department.

To evaluate DSS' internal controls and further determine whether DSS complies with the utilization of subcontractor-related policies and procedures, and get an understanding of the relevant rules and regulations, auditors obtained the following for review: (1) *DSS_DHS FY22-23 Subcontracting Approvals_9.18.2023*, (2) *DHS_HRA User's Report*, (3) *DHS_DSS Passport User List*, (4) *DSS Subcontractor_Approval_Form_65A*, (5) *DSS_Subcontracting_FAQs_20230516*, (6) *HHS Accelerator Provider Guide to Invoices and Payments*, (7) *PASSPort Performance Evaluations for Agencies*, (8) *Subcontractor approval investigations checklist*, (9) *PIU04_002_Subcontractor_Approval*, and any relevant information obtained from DSS agencies' websites. Auditors also determined whether the DSS agencies complied with relevant requirements in all the reviewed policies and regulations.

Auditors also determined whether DSS 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 DSS' compliance with the procedures and rules, and to see if the agency has internal controls in place, auditors generated a list of DSS' 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 human service prime vendors for each agency from the list, Catholic Charities Community Services Archdiocese of NY and Arbor E&T LLC for HRA, and Women In Need, Inc. and Services For The Underserved Inc for DHS, 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 DSS, 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 DSS properly monitored the subcontracting process, auditors compared DSS' 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 DSS' ACCO.

To determine whether the prime contractors were paying the subcontractors in a timely manner, the audit team asked DSS 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 statuses of the complaints. In addition, the auditors analyzed the contract payments for 13 sampled subcontractors by reviewing invoices and proof of payment for any delay in payment.

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

Even though DSS 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 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 DSS 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 DSS' oversight of prime vendors' use of subcontractors.

Appendix

DOI's 2021 Recommendations

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. <p>The required disclosure questions will be added to the HHS Prequalification Application in August 2025, and vendors will respond with applicable disclosures when they next submit a Prequalification Application.</p>
4	Agencies should direct and train budget review staff to implement standard operating procedures similar to those identified in Appendix 4 to review proposed subcontractor expenses. The review should include determinations of whether subcontractors have been entered into the City's Payee Information Portal and whether subcontractors have completed PASSPort disclosures as required. It should also include a basic integrity review of each subcontractor, including whether subcontractors are related to key people at the contractor, as well as review of	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
	documentation to ensure that there was a bona fide competitive bidding.	
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.	



**Department of
Social Services**

Human Resources
Administration

Department of
Homeless Services

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July 23, 2025

Ms. Hayes-Chaffe
Office of the New York City Comptroller
1 Centre Street
New York, NY 10007

**Re: Agency Response to the Audit Report on the Department of Social Services'
Administration of Prime Vendors' Use of Subcontractors on Health and Human
Services Contracts (FP24-061A)**

Dear Ms. Hayes-Chaffe,

We have received the New York City Comptroller's (NYCC) Draft Report for the audit on the Department of Social Services' (DSS) Administration of Prime Vendors' Use of Subcontractors on Health and Human Services Contracts (FP24-061A).

Please find enclosed our Agency response in the form of a corrective action plan, which identifies the actions already taken, and those that will be taken in accordance with the plan to address the recommendations noted in the report.

The Agency acknowledges that the audit covers a very important topic and appreciates the thorough report by the City Comptroller. However, DSS disagrees with five of seven recommendations and notes that certain recommendations are not within the Agency control, or they require citywide implementation.

Additionally, some of the findings refer to outdated systems, such as the Provider Information Portal (PIP), which had a lot of technical issues, and the HHS Accelerator. Both systems have since been replaced by the Procurement and Sourcing Solutions

Portal (PASSPort) as the system of record. PASSPort has the subcontractor modules, and DSS has been emphasizing the requirement for all prime vendors to have timely payments to third parties issued, documented and validated using this system.

While the Agency agrees with the importance of using M/WBE contractors, as evidenced by the robust non-profit pipeline program we described to NYCC, we disagree with NYCC's recommendation that the program requires improvement. As mentioned in our detailed response to NYCC, human services provider contracts (e.g. homeless services, benefits access, and legal aid) do not fall under the City's M/WBE participation goal program. This is because they are either exempt from M/WBE goal requirements as a matter of law or, due to the nature of human service spending, are contracted out to non-profit organizations. That said, DSS has consistently focused on increasing its use of M/WBE contracts. Notably, DSS contracts with M/WBEs which were not eligible for the participation goal program have been consistently increasing from \$94M in FY22 to \$137M in FY23, and to \$153M in FY24. Further, in FY23 and FY24, M/WBE utilization represented more than 30% of shelter subcontract spending.

DSS prioritizes effective and compassionate support for New York's most vulnerable communities, while adhering to governing rules and regulations.

We are confident that our response to this audit demonstrates the Agency's commitment to continually improve our operations. Should you have any questions regarding the enclosed, please contact Victoria Arzu, Executive Director of the DSS External Audit Facilitation Team at 929-221-7067.

Yours sincerely,

Bedros L. Boodanian

Bedros L. Boodanian
Chief Accountability Officer, DSS

Enclosures

NYC DEPARTMENT OF SOCIAL SERVICES
OFFICE OF AUDIT SERVICES
CORRECTIVE ACTION PLAN

Audit Name: Draft Audit Report on the Department of Social Services of Prime Vendors' Use of Subcontractors on Health and Human Services Contracts
Audit Number: P24-061A

Date: 7/23/2025

Auditor's Recommendations	Agency Response	Responsible Unit	Agency Corrective Action	Target Date
<p>Recommendation 1:</p> <p>Prevent payments to unapproved subcontractors by carefully reviewing invoices submitted by the primes, periodically reviewing prime vendors' general ledgers, and requesting and reviewing subcontractors' agreements and invoices.</p>	<p>Agency Disagrees, with explanation</p> <p>The Agency continues to follow existing internal policies and the current Mayor's Office of Contract Services (MOCS) Standard Invoice Review Policy (SIRP), dated January 1, 2021. The SIRP establishes a standard approach for reviewing and approving invoices submitted for payment by vendors and limits the number of line items to be sampled after payment. The policy also states that "A standard review will not include more than 1-2 selections per invoice service period."</p> <p>Additionally, as per the SIRP, the Agency conducts an Annual Fiscal Budget Review, during which the subcontractor agreements, license agreements and vendor agreements are documented and verified. The SIRP also states that, "Where agreements may not be executed and available at the start of the fiscal year, providers should budget this funding in the unallocated line item. Once an executed agreement can be provided, the budget can be modified to reflect the funding in the appropriate invoiceable line item."</p>	N/A	N/A	N/A

NYC DEPARTMENT OF SOCIAL SERVICES
OFFICE OF AUDIT SERVICES
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Date: 7/23/2025

Auditor's Recommendations	Agency Response	Responsible Unit	Agency Corrective Action	Target Date
	<p>Regarding the specific Catholic Charities contract with six unapproved subcontractors cited by the NYC Comptroller (NYCC), this recommendation is misplaced. As stated in the previous response, this contract is managed by the Mayor's Office of Immigrant Affairs (MOIA). The DSS Office of Contracts only handles MOIA's procurements. MOIA handles contract management, budgeting and invoicing functions of their contracts.</p> <p>DSS will work with MOIA and Catholic Charities to determine how the subcontractors were billed under this contract and whether approval was needed. It should be noted that reviewing a not-for-profit's general ledger does not indicate whether a third-party vendor is required to be approved.</p>			
<p>Recommendation 2:</p> <p>Ensure that prime vendors are submitting subcontractors' information including sub agreements and payment information as required in PASSPort (previously PIP and HHS systems).</p>	<p>Agency Partially Agrees</p> <p>The Agency did require that all prime vendors submit all payments in the PIP and HHS Accelerator. However, there were many technical issues with the PIP. Both the PIP and HHS Accelerator have since been replaced by PASSPort as the system of record for submitting</p>	N/A	Ongoing	N/A

NYC DEPARTMENT OF SOCIAL SERVICES
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Date: 7/23/2025

Auditor's Recommendations	Agency Response	Responsible Unit	Agency Corrective Action	Target Date
	<p>subcontractors' information including sub agreements and payments.</p> <p>As per the DSS Human Services Contract and Section 4-13 of the Procurement Policy Board (PPB) Rules, the Agency now requires that all approved third-party vendor payments are documented in PASSPort. PASSPort has a function called "Payment Validator", where the Agency staff can confirm that payments to sub-contractors are being made.</p> <p>Additionally, if a contractor cannot follow the procedures in reference to third-party vendor approvals, the contractor will not have such vendors approved, and therefore, the third-party vendors cannot be invoiced.</p>			
<p>Recommendation 3:</p> <p>Document the process of vetting and conducting background checks of proposed subcontractors.</p>	<p>Agency Disagrees, with explanation</p> <p>DSS has previously shared with the auditors the Agency subcontracting policies and FAQs which document the process of vetting and conducting background checks of proposed subcontractors.</p>	N/A	N/A	N/A

NYC DEPARTMENT OF SOCIAL SERVICES
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Date: 7/23/2025

Auditor's Recommendations	Agency Response	Responsible Unit	Agency Corrective Action	Target Date
	<p>Please refer to the previously shared FAQ, where in Q3 DSS provides detailed instructions on when to submit for subcontractor approval and in Q5 it explains what specific documentation is required when submitting a third party for subcontractor approval.</p> <p>DSS is also guided by the Procurement Policy Board (PPB) rules with respect to the process of vetting and conducting background checks of proposed subcontractors. Specifically, please refer to Section 2-08 titled Vendor Responsibility and Appeal of Determination of Non-responsibility and Section 4-13 titled Subcontracts.</p> <p>Additionally, please refer to the PASSPort link available online, which provides step-by-step instructions on what is required to submit a subcontractor for Agency approval.</p> <p>https://www.nyc.gov/site/mocs/passport/articles/sc-submit-app.page</p>			

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Auditor's Recommendations	Agency Response	Responsible Unit	Agency Corrective Action	Target Date
<p>Recommendation 4:</p> <p>Ensure that competitive bidding is conducted by prime vendors when selecting subcontractors.</p>	<p>Agency Disagrees, with explanation</p> <p>The DSS subcontracting policies that were previously shared with the auditors specify what documentation is required before DSS can provide approval. Please refer to the previously shared FAQ, where in Q5, titled "What is required when submitting a third party for subcontractor approval?" it states that for third-party agreements valued greater than \$25,000, it is a "procurement requirement" for the contractor "to submit at least three bids/estimates" when selecting a subcontractor.</p> <p>To support this, the Agency regularly provides guidance, training and reminders to providers and engages third-party auditing firms to ensure compliance.</p> <p>If the contractor cannot obtain three bids, DSS allows the submission of information to justify the lack of three bids, as discussed in the FAQs.</p>	N/A	N/A	N/A

NYC DEPARTMENT OF SOCIAL SERVICES
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Date: 7/23/2025

Auditor's Recommendations	Agency Response	Responsible Unit	Agency Corrective Action	Target Date
Recommendation 5: Review subcontract agreements for prompt payment stipulations and ensure that prime contractors are paying their subcontractors in accordance with those stipulations.	Agency Partially Agrees With the introduction of the PASSPort subcontracting modules, DSS has been emphasizing the requirements for all prime vendors to have timely payments to third parties issued, documented and validated in PASSPort. In addition, DSS is enforcing policies discussed in the SIRP with regards to line-item reimbursements and payments based on accrued costs. DSS will also update the language in the Fiscal Manual to include subcontractor payment deadline requirements.	ACCO, DSS Finance	Update the language in the Fiscal Manual to include subcontractor payment deadline requirements.	December 31, 2025
Recommendation 6: Implement DOI's 2021 recommendations to City agencies. Comply with MOCS policies and directives created to provide guidance in the implementation of the recommendations.	Agency Disagrees DSS already complies with current MOCS policies. MOCS has created an HHS Vendor Compliance Cabinet (VCC), which is intended to create citywide policies, including the policies necessary to implement the DOI recommendations. DSS is an active VCC participant and	N/A	N/A	N/A

NYC DEPARTMENT OF SOCIAL SERVICES
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Date: 7/23/2025

Auditor's Recommendations	Agency Response	Responsible Unit	Agency Corrective Action	Target Date
	continues work with MOCS to improve Citywide contract oversight.			
<p>Recommendation 7:</p> <p>Continue to increase its use of M/WBE contractors and encourage the agency's prime vendors to increase their use of M/WBE subcontractors in Human Services contracts.</p>	<p>Agency Disagrees, with explanation</p> <p>As the auditors noted in their report, Human Services contracts do not fall under the City's mandatory M/WBE participation goals. By definition, not-for-profit organizations cannot qualify for M/WBE certification because they are governed by boards, rather than owned.</p> <p>Also, due to the nature of the HRA contracts, most third-party services would be human services performed by not-for-profits and would not provide many opportunities for certified M/WBE vendors. That said, the HRA contract referenced in the report would have subcontracting opportunities for local community-based organizations, which have typically been not-for-profits headed by minority- and/or women-based Boards of Directors.</p> <p>DSS is committed to advancing partnerships with New York City's local business community, as is evidenced by following statistics:</p>	N/A	N/A	N/A

NYC DEPARTMENT OF SOCIAL SERVICES
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Date: 7/23/2025

Auditor's Recommendations	Agency Response	Responsible Unit	Agency Corrective Action	Target Date
	<ul style="list-style-type: none"> DSS has developed a robust subcontract pipeline which connects local certified businesses to our Human Service Provider organizations, shelters, and points of service. In FY23 and FY24, M/WBE utilization represented more than 30% of shelter subcontract spending. Total Agency dollars contracted to M/WBEs increased 576% from FY23 to FY24, from \$22,781,597 to \$154,146,366. From FY22 to FY24, DSS awarded 936 prime contracts to M/WBEs on Participation Goal-eligible contracts totaling \$200.6M with a cumulative utilization rate of 42%. DSS increased the percentage of M/WBE dollars spent on Participation Goal-eligible contracts across HRA and DHS from 14% of total contract spending in FY23 to 67% in FY24. 			

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Auditor's Recommendations	Agency Response	Responsible Unit	Agency Corrective Action	Target Date
	<ul style="list-style-type: none"> DHS increased M/WBE spending on Participation Goal-eligible contracts from 35% in FY22 to 80% in FY24. <p>The DSS Office of Contracts regularly performs outreach to boost M/WBE bidding, contract awards, and capacity building. The DSS Marketplace Team, which is responsible for the M/WBE Program, meets directly with both internal staff and non-profit organizations to provide information and resources that support local business partnerships.</p> <p>Since FY22, DSS has built out an online Marketplace Resource Hub and expanded its Marketplace Matchmaking Event Program to create opportunities for M/WBEs to connect with City agencies, Human Service Providers, and other contract partners. The Hub includes specific upcoming solicitation opportunities as well as Biannual Human Service Provider procurement survey results and specific contact information for dozens of non-profit organizations. The Agency's last two</p>			

NYC DEPARTMENT OF SOCIAL SERVICES
OFFICE OF AUDIT SERVICES
CORRECTIVE ACTION PLAN

Audit Name: Draft Audit Report on the Department of Social Services of Prime Vendors' Use of Subcontractors on Health and Human Services Contracts
Audit Number: FP24-061A

Date: 7/23/2025

Auditor's Recommendations	Agency Response	Responsible Unit	Agency Corrective Action	Target Date
	<p>Marketplace Matchmaking events brought almost 150 M/WBEs together with dozens of HHS agency representatives and Human Service Provider staff for almost 900 individual appointments. Twenty percent of Matchmaking Event participants have gone on to win one or more subcontracts.</p> <p>DSS has also created an information, resource, and recognition program for its non-profit organizations to facilitate their engagement with local certified firms. Every six months, DSS surveys these organizations and provides more than 50 lists of M/WBEs who can provide the goods and services they need. Additionally, DSS has rolled out an annual Marketplace Most Valuable Provider Award that recognizes model non-profit organizations who advance the Marketplace Program's mission to partner with local businesses in the delivery of goods and services to clients in need.</p>			





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