

# AUDIT REPORT



CITY OF NEW YORK  
OFFICE OF THE COMPTROLLER  
BUREAU OF FINANCIAL AUDIT  
**WILLIAM C. THOMPSON, JR., COMPTROLLER**

## **Audit Report on the Compliance of Wayside MacDonough Family Residence With Its Contract with the Department of Homeless Services**

*FP02-175A*

**September 16, 2002**



*The City of New York  
Office of the Comptroller  
Bureau of Financial Audit*

**Audit Report on Compliance of  
Wayside MacDonough Family Residence  
With Its Contract with the  
Department of Homeless Services**

**FP02-175A**

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**EXECUTIVE SUMMARY**

On March 28, 1994, the Department of Homeless Services (DHS) entered into a contract with the Wayside Baptist Church (Wayside) to operate the Wayside MacDonough Family Residence (Residence) as transitional housing for displaced and homeless families referred by the DHS Emergency Assistance Unit. The contract, which totaled \$2,718,480, ran from May 1, 1994, through April 30, 1999, and contained a four-year renewal option. The contract was amended in March 1999 so that its expiration date became June 30, 1999. DHS renewed the contract for the period July 1, 1999, to June 30, 2003, with a total amount of \$1,911,820. For our audit period—July 1, 2000, through June 30, 2001—Wayside received \$458,491 from DHS to operate the facility and to provide services.

This audit determined whether Wayside complied with its contract with DHS. Specifically, the audit determined whether Wayside provided adequate, safe, and sanitary conditions at the Residence, maintained complete and accurate records to support amounts billed to DHS, and maintained complete and accurate records to support its expenses. It also determined whether the expenses were reasonable and necessary for the operation and maintenance of the shelter.

Based on inspections of the facility and Wayside's actions in correcting the conditions that were brought to its attention, we believe that Wayside maintained the Residence in an adequate, safe, and sanitary fashion. Specifically, a March 26, 2002 visit to Wayside found that the common areas of the facility, including the hallways, laundry room, visitors' room, playground, and day care center had no detectable problems. However, roach infestation and water damage to a ceiling in a bathroom, running water in a toilet, damage to a closet door, and a broken broiler drawer in a kitchen stove were found in the five apartments inspected. We informed Wayside officials of these problems. A follow-up visit on June 4, 2002, confirmed that these problems, with the exception of the roach infestation, were corrected. According to Wayside's records, exterminating services are performed in the apartments once a month.

In addition, Wayside maintained complete and accurate records that support its expenses and the amounts billed to DHS, and it generally spent program funds on expenses that were reasonable and necessary for the operation of the Residence. Moreover, Wayside provided the services called for in its contract.

However, there were certain weaknesses in Wayside's operating practices. Specifically, Wayside: did not compensate an employee time and a half for work in excess of 40 hours per week; paid one of its employees \$2,159 that was not included in his yearly earnings statement; made one disbursement, totaling \$413, for a questionable expense; and did not have adequate documentation for \$1,030 in expenses.

The report recommended that Wayside should: consider increasing extermination services in the facility to twice a month; calculate payments to its employees in accordance with federal labor standards and pay its underpaid employee the \$3,189 due to him; report all payments for services rendered by its employees on the employees' W-2 statements; and maintain adequate documentation for all purchases.

Wayside stated that it implemented the report's recommendations that it increase extermination services in the facility; report all payments for services rendered by its employees on W-2 statements; and maintain adequate documentation for all purchases. With regard to our remaining recommendation, Wayside stated, "In accordance with federal labor standards, we will calculate payment to the cited employee and payment will be paid by November 2002." DHS responded that it "is pleased to learn that Wayside MacDonough has generally complied with the terms of its contract. . . . Concerning weaknesses in Wayside's operating practices, DHS' Family Services will follow up to ensure that those situations are corrected."

## **INTRODUCTION**

### **Background**

On March 28, 1994, the Department of Homeless Services (DHS) entered into a contract with the Wayside Baptist Church (Wayside) to operate the Wayside MacDonough Family Residence (Residence) as transitional housing for displaced and homeless families referred by the DHS Emergency Assistance Unit. The contract, which totaled \$2,718,480, ran from May 1, 1994, through April 30, 1999, and contained a four-year renewal option. The contract was amended in March 1999 so that its expiration date became June 30, 1999. DHS renewed the contract for the period July 1, 1999, to June 30, 2003, with a total amount of \$1,911,820. For our audit period—July 1, 2000, through June 30, 2001—Wayside received \$458,491 from DHS to operate the facility and to provide services.

Under the terms of the contract Wayside is required to provide:

- orientation for new residents;
- an appropriate housing unit with specific minimum furnishings;
- supervision of the facility, including maintenance of a census of residents, surveillance of the grounds, handling and documenting emergencies, instituting fire safety measures;
- assessment of residents' needs;
- preparation of the residents for living in permanent housing;
- information and referral services;
- child care services;
- recreation services;
- health services and first aid;
- security;
- cleaning and maintenance; and
- emergency food services.

The Residence consists of three buildings with 15 transitional apartments, at 771-775 MacDonough Street in Brooklyn. DHS pays Wayside \$86.19 per day per family for the services it provides.

### **Objective**

Our audit objective was to determine whether Wayside complied with its contract with DHS. Specifically, we determined whether Wayside:

- provided adequate, safe, and sanitary conditions at the Residence;
- maintained complete and accurate records to support amounts billed to DHS; and

- maintained complete and accurate records to support its expenses and whether these expenses were reasonable and necessary for the operation and maintenance of the shelter.

## **Scope and Methodology**

The audit covered the period from July 1, 2000, through June 30, 2001.

To determine whether Wayside provided adequate, safe, and sanitary conditions at the Residence, we conducted an unannounced visit of the facility on March 26, 2002, prior to beginning the audit. We inspected the apartments, hallways, after-school and day-care centers, and playground. We interviewed the residents of the apartments and videotaped the conditions found. We made a follow-up visit June 4, 2002, to determine whether conditions found during our initial visit were corrected. In addition, we reviewed reports filed by Wayside's inspectors that detailed problems they found in the apartments.

To determine whether Wayside maintained complete and accurate records to support amounts billed to DHS, we reconciled Wayside's monthly billing statements and DHS's monthly housing and billing forms.

To determine whether Wayside maintained complete and accurate records to support its expenses and whether these expenses were reasonable and necessary for the operation and maintenance of the facility, we obtained and reviewed all canceled checks and corresponding invoices for the audit period.

To determine whether salaries paid to Wayside's employees were appropriate, we reviewed the payroll and employee time records for December 2000 and April 2001 and determined whether the hours paid for were documented on the time records.

To determine whether Wayside complied with other provisions of its contract, we verified whether: public areas of the facility were in clean condition; day care and after-school programs were provided; orientation and a list of rights and responsibilities were provided to new clients; and evacuation procedures were posted on each floor of the facility.

This audit was conducted in accordance with Generally Accepted Government Auditing Standards (GAGAS) and included tests of the records and other auditing procedures considered necessary. This audit was performed in accordance with the City Comptroller's audit responsibilities as set forth in Chapter 5, § 93, of the New York City Charter.

## **Discussion of Audit Results**

The matters covered in this report were discussed with officials from Wayside during and at the conclusion of this audit. A preliminary draft report was sent and was discussed with Wayside and DHS officials at an exit conference on August 13, 2002. On August 15, 2002, we

submitted a draft report to Wayside and DHS officials with a request for comments. We received written comments from Wayside and DHS on September 9, 2002.

In its response, Wayside stated that it implemented the report's recommendations that it increase extermination services in the facility; report all payments for services rendered by its employees on W-2 statements; and maintain adequate documentation for all purchases. With regard to our remaining recommendation, Wayside stated, "In accordance with federal labor standards, we will calculate payment to the cited employee and payment will be paid by November 2002." DHS responded that it "is pleased to learn that Wayside MacDonough has generally complied with the terms of its contract. . . . Concerning weaknesses in Wayside's operating practices, DHS' Family Services will follow up to ensure that those situations are corrected."

## FINDINGS AND RECOMMENDATIONS

Based on our inspections of the facility and our review of Wayside's actions in correcting the conditions we brought to their attention, we believe that the Residence is maintained by Wayside in an adequate, safe, and sanitary fashion. Specifically, on our March 26, 2002, visit to Wayside we found that the facility was generally maintained in good condition. The common areas of the facility, including the hallways, laundry room, visitors' room, playground, and day care center, had no detectable problems. In the five apartments we inspected, we noted problems that included roach infestation and water damage to a ceiling in a bathroom, running water in a toilet, damage to a closet door, and a broken broiler drawer in a kitchen stove. We informed Wayside officials of these problems. Our follow-up visit on June 4, 2002, confirmed that these problems, with the exception of the roach infestation, were corrected. According to Wayside's records, exterminating services are performed in the apartments once a month.

Wayside maintained complete and accurate records that support its expenses and the amounts billed to DHS, and it generally spent program funds on expenses that were reasonable and necessary for the operation of the Residence. In addition, Wayside provided the services called for in its contract.

However, there were certain weaknesses in Wayside's operating practices. Specifically, Wayside:

- did not compensate an employee at time and a half for work in excess of 40 hours per week;
- paid one of its employees \$2,159 that was not included in his yearly earnings statement;
- made one disbursement, totaling \$413, for a questionable expense; and
- did not have adequate documentation for \$1,030 in expenses.

### **Wayside Did Not Pay an Employee's Overtime for Hours Worked**

Wayside did not pay one of its security personnel overtime for work in excess of 40 hours per week as required by federal labor standards.<sup>1</sup> Instead, this employee was paid straight time, and this resulted in his being underpaid by \$3,189.

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<sup>1</sup> The standard states: "no Contractor or subcontractor . . . may require . . . laborers or mechanics, including watchmen and guards . . . to work in excess of 8 hours in any calendar day or in excess of 40 hours in such work week, unless such laborer or mechanic receives compensation at a rate not less than one and one-half times his basic rate of pay for all hours worked in excess of 8 hours in any calendar day or in excess of 40 hours in such work week."

## **Payments Not Reported to IRS**

Wayside paid one of its employees \$10 a day to pick up lunch for its day care food program, but made the payment through its regular checking account rather than through its payroll account. As a result, these payments were not included on the employee's W-2 statement, and Wayside did not pay FICA or withhold taxes on this amount.

## **Questionable Expenses**

Wayside paid \$413 for an airline ticket for which it did not provide documentation showing how this expense was related to the operation of the facility. In addition, \$1,030 of the \$3,007 issued to its employees for petty cash expenses was not sufficiently documented. It is important that the Wayside maintain appropriate documentation for all purchases to ensure that all payments are reasonable and appropriate.

## **Recommendations**

Wayside should:

1. Consider increasing extermination services in the facility to twice a month.

**Agency Response:** "We had a unique situation at the Wayside MacDonough Residence, so as of August 1, 2002 we increased our service to twice a month to the units that needed special attention."

2. Calculate payments to its employees in accordance with federal labor standards and pay its underpaid employee the \$3,189 due to him.

**Agency Response:** "In accordance with federal labor standards, we will calculate payment to the cited employee and payment will be paid by November 2002."

3. Report all payments for services rendered by its employees on the employees' W-2 statements.

**Agency Response:** "Going forward, any employee that renders additional services to Wayside MacDonough will be paid through ADP payroll service. Employees receive a W-2 statement at the end of the year."

4. Maintain adequate documentation for all purchases.

**Agency Response:** "Going forward, we will maintain adequate documentation of all purchases. The Director of the Wayside MacDonough Residence will oversee all the above."



DEPARTMENT OF HOMELESS SERVICES

33 Beaver Street, 17th Floor  
New York, NY 10004

(212) 361-8000  
Fax: (212) 361-7977  
TTY: (212) 361-8001

LINDA GIBBS  
COMMISSIONER

September 6, 2002

Roger D. Liwer  
Assistant Comptroller for Audits  
New York City Office of the Comptroller  
1 Centre Street, Room 1100  
New York, NY 10007

Re: Draft Audit Report of the Compliance of Wayside MacDonough Family Residence  
With Its Contract with the Department of Homeless Services (FP02-175A)

Dear Mr. Liwer:

Wayside MacDonough Family Residence's responses to the four recommendations made in the  
above referenced draft audit report are enclosed.

The Department of Homeless Services (DHS) is pleased to learn that Wayside MacDonough has  
generally complied with the terms of its contract. As stated in their responses, Wayside  
MacDonough agrees with, and intends to implement the four audit recommendations and is  
working with DHS to resolve questionable expenses. Concerning weaknesses in Wayside's  
operating practices, DHS' Family Services will follow up to ensure that those situations are  
corrected.

DHS recognizes the importance of audits in helping this agency fulfill its mandate.

Sincerely,

Linda Gibbs

Enclosures

cc: Jim Anderson, DHS Angeles Pai, DHS  
Martha J. Harvey, DHS Rev. Joe L. Parker, Wayside  
Robert Mascali, DHS Dennis Piervicenti, DHS  
Roger Newman, DHS

Church Office  
(718) 453-0412\3

Pastor's Private Line  
(718) 453-1125

WAYSIDE BAPTIST CHURCH  
1746-60 Broadway  
Brooklyn, New York 11207  
Rev. Joe L. Parker, Pastor

M. Whitehurst  
Board of Trustee  
M. Pope  
Treasurer

P. Rayford, Chrm.  
Board of Deacons  
L. Edward  
Church Clerk

August 29, 2002

Honorable Roger D. Liwer  
The City of New York  
Office of the Controller  
Bureau of Audits  
1 Centre Street, Room 1100  
New York, New York 10007-2341

RE: Audit Report on the Compliance of  
Wayside MacDonough Residence  
FPO2-175A

Enclosed please find Wayside Baptist Church's (Wayside Macdonough Residence) responses to the four recommendation contained in the draft audit report determined that Wayside complied with its contract with DHS.

The audit also revealed that there were some compliance weaknesses which management concurred and agreed to implement.

Wayside has implemented recommendations one, three, and four and recommendation two will be implemented by November, 2002.

We are also working with DHS to resolve questionable expenses.

Wayside Baptist Church (Wayside Macdonough Residence) will implement all recommendations and continue to provide the service required under our contract.

Sincerely,

  
Rev. Joe L. Parker

Enclosures:

C: Linda Gibbs, Commissioner  
Roger Newman, Assistant Commissioner  
Andrea S. Williams, Wayside MacDonough  
Essie Duggan, Wayside Baptist Church  
Martha Harvey, DHS

NEW YORK CITY DEPARTMENT OF HOMELESS SERVICES

PAGE 1 OF 4

RESPONSE DATE: August 26, 2002

AUDIT TITLE and NUMBER: Compliance of Wayside MacDonough Family Residence With its Contracts  
with the Department Of Homeless Services, FP02-175A

AUDITING AGENCY: City Comptroller's Office

REPORT DATE: August 16, 2002

A. RECOMMENDATION WITH WHICH THE MANAGEMENT  
AGREES AND INTENDS TO IMPLEMENT

Recommendation 1. Wayside should consider increasing extermination services  
in the facility to twice a month.

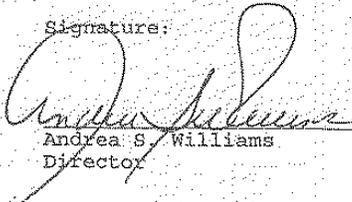
RESPONSE TO RECOMMENDATION - IMPLEMENTATION PLAN

We had a unique situation at the Wayside MacDonough Residence, so as of  
August 1, 2002 we increased our service to twice a month to the units that  
needed special attention.

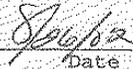
IMPLEMENTATION TARGET DATE

August 2002

Signature:

  
Andrea S. Williams  
Director

RESPONSIBILITY CENTER

  
Date

Audit Implementation Plan Form A

NEW YORK CITY DEPARTMENT OF HOMELESS SERVICES

PAGE 2 OF 4

RESPONSE DATE: August 26, 2002

AUDIT TITLE and NUMBER: Compliance of Wayside MacDonough Family Residence With its Contracts with the Department Of Homeless Services, FP02-175A

AUDITING AGENCY: City Comptroller's Office

REPORT DATE: August 16, 2002

A. RECOMMENDATION WITH WHICH THE MANAGEMENT AGREES AND INTENDS TO IMPLEMENT

Recommendation 2. Wayside should calculate payments to its employees in accordance with federal labor standards and pay it's underpaid employee the \$3,189 due to him.

RESPONSE TO RECOMMENDATION - IMPLEMENTATION PLAN

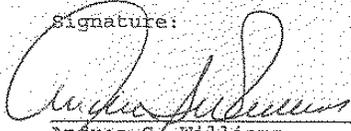
In accordance with federal labor standards, we will calculate payment to the cited employee and payment will be paid by November 2002.

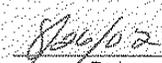
IMPLEMENTATION TARGET DATE

November 2002

RESPONSIBILITY CENTER

Signature:

  
\_\_\_\_\_  
Andrea S. Williams  
Director

  
\_\_\_\_\_  
Date

Audit Implementation Plan Form A

NEW YORK CITY DEPARTMENT OF HOMELESS SERVICES

PAGE 3 OF 4

RESPONSE DATE: August 26, 2002

AUDIT TITLE and NUMBER: Compliance of Wayside MacDonough Family Residence With its Contracts  
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AUDITING AGENCY: City Comptroller's Office

REPORT DATE: August 16, 2002

A. RECOMMENDATION WITH WHICH THE MANAGEMENT  
AGREES AND INTENDS TO IMPLEMENT

Recommendation 3. Wayside should report all payments for services rendered  
by its employees on the employee's W-2 statements.

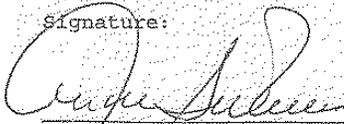
RESPONSE TO RECOMMENDATION - IMPLEMENTATION PLAN

Going forward, any employee that renders additional services to Wayside  
MacDonough Residence will be paid through ADP payroll service. Employees  
receive a w-2 statement at the end of the year.

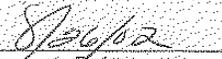
IMPLEMENTATION TARGET DATE

August 2002

Signature:

  
\_\_\_\_\_  
Andrea S. Williams  
Director

RESPONSIBILITY CENTER

  
\_\_\_\_\_  
Date

Audit Implementation Plan Form A

NEW YORK CITY DEPARTMENT OF HOMELESS SERVICES

PAGE 4 OF 4

RESPONSE DATE: August 26, 2002

AUDIT TITLE and NUMBER: Compliance of Wayside MacDonough Family Residence With its Contracts  
with the Department Of Homeless Services, FF02-175A

AUDITING AGENCY: City Comptroller's Office

REPORT DATE: August 16, 2002

A. RECOMMENDATION WITH WHICH THE MANAGEMENT  
AGREES AND INTENDS TO IMPLEMENT

Recommendation 4. Wayside should maintain adequate documentation for all purchases.

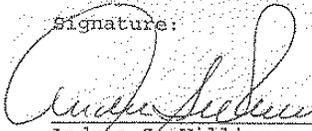
RESPONSE TO RECOMMENDATION - IMPLEMENTATION PLAN

Going forward, we will maintain adequate documentation of all purchases. The Director of the Wayside MacDonough Residence will oversee all the above.

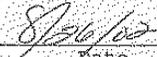
IMPLEMENTATION TARGET DATE

August 2002

Signature:

  
\_\_\_\_\_  
Andrea S. Williams  
Director

RESPONSIBILITY CENTER

  
\_\_\_\_\_  
Date

Audit Implementation Plan Form A