



NEW YORK CITY COMPTROLLER
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Audit Report on New York City Emergency Management's Controls over Its Hotel Lodging Contract

MD20-116A | October 25, 2024





THE CITY OF NEW YORK
OFFICE OF THE COMPTROLLER
BRAD LANDER

October 25, 2024

To the Residents of the City of New York,

My office has audited New York City Emergency Management (NYCEM) to determine whether it established adequate internal controls over its Hotel Lodging Contract during the COVID-19 pandemic. The Office of the New York City Comptroller conducts audits such as this to ensure that City resources are used effectively and that payments to vendors are properly substantiated.

The audit found approximately \$26 million in questionable payments that were caused by poor internal controls and inadequate monitoring of the contract. NYCEM waived contractual obligations that were designed to protect NYC's fiscal interests and, for example, accepted summaries in lieu of hotel folios and other system generated documents that hotels routinely produce. The audit found \$18 million in unsupported payments; a further \$3.1 million in sampled payments that were inadequately or completely unsupported by appropriate documentation; and almost \$1.7 million in duplicate payments were identified during the audit.

The audit recommends that NYCEM make every effort to obtain appropriate support for charges backed by questionable documentation and recoup payments where appropriate support is not provided. The audit also recommends that NYCEM establish written standards for monitoring vendor contracts in future and that these require that future guidance intended to clarify contract terms and conditions are memorialized in writing and shared with vendors.

The results of the audit have been discussed with NYCEM officials, and their comments have been considered in preparing this report. Their complete written response is also attached to this report.

The auditors acknowledge the emergency conditions under which NYCEM managed the contract, however, even during an emergency, agencies are expected to protect the City's fiscal integrity and ensure appropriate oversight and monitoring.

If you have any questions concerning this report, please e-mail my Audit Bureau at audit@comptroller.nyc.gov.

Sincerely,

A handwritten signature in black ink, appearing to read "B. Lander".

Brad Lander
New York City Comptroller

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Audit Impact

Summary of Findings

The auditors conducted a review of New York City Emergency Management's (NYCEM) oversight of an agreement with CrewFacilities.com LLC (Crew), and subsequently Hotel Engine (HE), to provide hotel lodging services and/or to provide reconciliation of claims for payment. The auditors concluded that NYCEM's overall internal controls and its monitoring of the contract were inadequate, and that Crew and HE did not generally collect and reconcile hotel invoices as they were required to do under the terms of the agreement.

The auditors sampled total payments of \$6,877,843 and reviewed all documentation provided by NYCEM during and after testing. The review found that 46%, or \$3,188,336, of the sampled payments should not have been paid. Of this amount, \$1,194,041 was not supported by adequate documentation and \$1,994,295 was completely unsupported by *any* documentation. NYCEM paid an additional \$487,484 in associated management fees. NYCEM also waived contractual obligations intended to safeguard the City's fiscal interests and agreed to accept summaries in lieu of hotel invoices to substantiate almost \$18 million in payments, plus \$2.8 million in associated management fees.

In addition to these amounts, the auditors identified \$1,699,634 in duplicate payments, along with \$293,151 in associated management fees, that should not have been paid. In total, auditors identified \$26.5 million in inadequately supported payments and overpayments.

The audit recommends that NYCEM make every effort to recoup these amounts from the vendors, who were contractually obligated to ensure that all hotels that provided rooms during the COVID-19 emergency submitted appropriate documentation, prior to making payments.

The audit also recommends that NYCEM establish written standards for monitoring vendor contracts in the future and ensure that decisions that clarify contract terms and conditions are recorded in writing and disseminated to involved parties.

Intended Benefits

The audit identified several issues that, if addressed, would significantly improve NYCEM's oversight of emergency contracts in the future, and decrease the risk of monetary waste and overpayments.

During the audit, NYCEM noted the extremely challenging nature of the undertaking given the context of the pandemic, lack of experience in hotel management, changing and expanding population and needs, limited resources, and the need to get the program up and running as quickly and inclusively as possible. The auditors acknowledge the difficult circumstances under which NYCEM managed the contract. Nonetheless, the auditors offer these findings and recommendations in the interests of protecting the City's fiscal integrity and improving future preparedness.

Introduction

Background

NYCEM is responsible for coordinating citywide planning, response, and recovery for all types and scales of emergencies, including power outages, acts of terrorism, transportation disruptions, public health incidents, severe weather, and other natural and non-natural hazards. This work includes developing emergency plans; liaising with over 400 local, state, federal, nonprofit, and other entities; educating the public about emergency preparedness; and hosting all-hazard training and exercises.

In March 2020, the World Health Organization declared COVID-19 a worldwide pandemic, and the City issued a local state of emergency promoting social distancing guidelines. In response, NYCEM created the Non-Medical Isolation Hotel Program (Program), to provide non-congregate shelter options to people in need of temporary shelter to isolate, quarantine, or convalesce. The Program was funded by the City and the Federal Emergency Management Agency (FEMA).¹ The purpose of the Program was to provide certain populations with a safe place to self-isolate, and eligible people could qualify to stay in a hotel, free of charge, for up to 28 days. These groups included:

- Surge healthcare workers and shelter workers who required isolation or quarantine due to exposure to COVID-positive individuals and could not return home.
- People residing in congregate care facilities managed by the Department of Social Services (DSS), Department of Health and Mental Hygiene (DOHMH), Department of Correction (DOC) (via the Mayor's Office of Criminal Justice), and Department of Youth & Community Development (DYCD), who were symptomatic and could not isolate in the congregate setting.
- People residing in community-based settings within the City where they were at risk of being exposed to or contracting COVID-19.²
- People, including those discharged by hospitals, who tested positive for COVID-19 or who exhibited the symptoms of the virus.

The Program was managed by NYCEM's virtual Hotel Command Center (HCC) and supported by liaisons and full-time staff from the Mayor's Office and several other entities, including the Department of Citywide Administrative Services (DCAS), DOHMH, DSS, DYCD, DOC, NYC Health + Hospitals (H+H), and the Greater NY Hospital Association.

On April 2, 2020, NYCEM entered into a Service Agreement (Hotel Lodging Contract) with Crew to provide hotel management services to the Program. Crew's responsibilities included securing, booking and canceling hotel rooms, sourcing hotels, negotiating competitive hotel rates, paying the hotels, and auditing costs and verifying bills.³ For services provided, Crew was to receive a management/booking fee (management fee) of \$27 per night, per room.

¹ NYCEM is in the process of seeking FEMA reimbursement.

² Community-based settings offer group housing, additional support and social services to people with special needs, independent seniors, people living with mental illnesses, etc.

³ Some hotels submitted documents called folios, billing summaries, registration cards, etc. For the purposes of this report, the term "invoices" will refer to guest documentation.

According to NYCEM officials, rooms at 10 hotels were blocked (or, booked en masse) to serve specific populations. To ensure availability, NYCEM agreed to pay for these rooms regardless of whether the rooms were used. Thirty rooms were blocked at three of the hotels, and NYCEM blocked all rooms at the remaining seven hotels. Crew also received the management fee for every night a room was blocked, whether it was used or not.⁴

The initial term of the contract was from March 21, 2020 through May 1, 2020 and was not to exceed \$250 million. On May 1, 2020, NYCEM and Crew entered into a Modification and Extension Agreement (Modification Agreement), which extended the term to July 31, 2020. The Modification Agreement specified that Hotel Engine (HE) would assist Crew in meeting its obligations, as a subcontractor.⁵ HE assumed some of Crew's responsibilities and arranged additional technology support that Crew could not provide. This included tracking bookings, developing and maintaining a Looker Dashboard, and creating an online intake form for room bookings.⁶ Under the terms of the Modification Agreement, the parties agreed that NYCEM would pay Crew \$495,000 for technology development costs. In addition, the management fee was increased from \$27 to \$35 per night, per room.

Crew directed HE to perform the requested technology development work. NYCEM also guaranteed payment to Crew for booking 4,000 rooms per month during May, June, and July 2020. According to the First Amendment of the Confidential Services Agreement between Crew and HE, Crew guaranteed a minimum payment of \$9.72 million in management fees to HE, not including the Technology Fee, for the period of May 2, 2020 through July 31, 2020. The agreement between Crew and HE also called for the management fees to be split between the two parties.⁷

Concerns over Crew's administration of the contract subsequently led to NYCEM calling an "Opportunity to be Heard" meeting on July 31, 2020, during which Crew was given an opportunity to show cause why it should not be declared in default of its obligations under the contract. NYCEM determined that Crew had breached the Hotel Lodging Contract and the contract was terminated.⁸ One of the reasons for termination was Crew's failure to remit to HE approximately \$10.5 million paid by NYCEM.

On August 6, 2020, NYCEM entered into an Emergency Buy-Against Agreement with HE, with an end date of December 31, 2020, and a total liability not to exceed \$80 million, by which HE assumed some of Crew's outstanding obligations. HE's responsibilities included reconciling all hotel invoices.⁹ Although HE was not directly contracted by NYCEM until August 2020 (after the Crew contract was terminated), its reconciliation and invoice review work covered payments to hotels for reservations during the period April 10, 2020 through July 31, 2020, based on invoices submitted by HE. Payments to hotels for this period included hotel room fees, meals, laundry, and damages, where applicable.

⁴ Since blocked rooms were paid regardless of whether they were used, they were excluded from the analyses.

⁵ On April 1, 2020, Crew and HE entered into a Confidential Services Agreement (the Subcontract) which was subsequently amended by a further agreement dated May 2, 2020 (the Subcontract Amendment).

⁶ The Looker Dashboard was a real-time visualization tool that pulled the hotel data from the data warehouse and displayed information including daily reservations, guest populations, etc.

⁷ In consideration of the extensive technological and logistical services provided by HE, the management fee was split as follows: (a) from April 2, 2020 (the effective date) through May 1, 2020, \$19.50 per night, per room to HE; and \$7.50 per night, per room to Crew; and (b) from May 2, 2020 through July 31, 2020, \$27 per night, per room to HE; and \$8 per night, per room to Crew. According to NYCEM officials, HE did not start working until April 10, 2020.

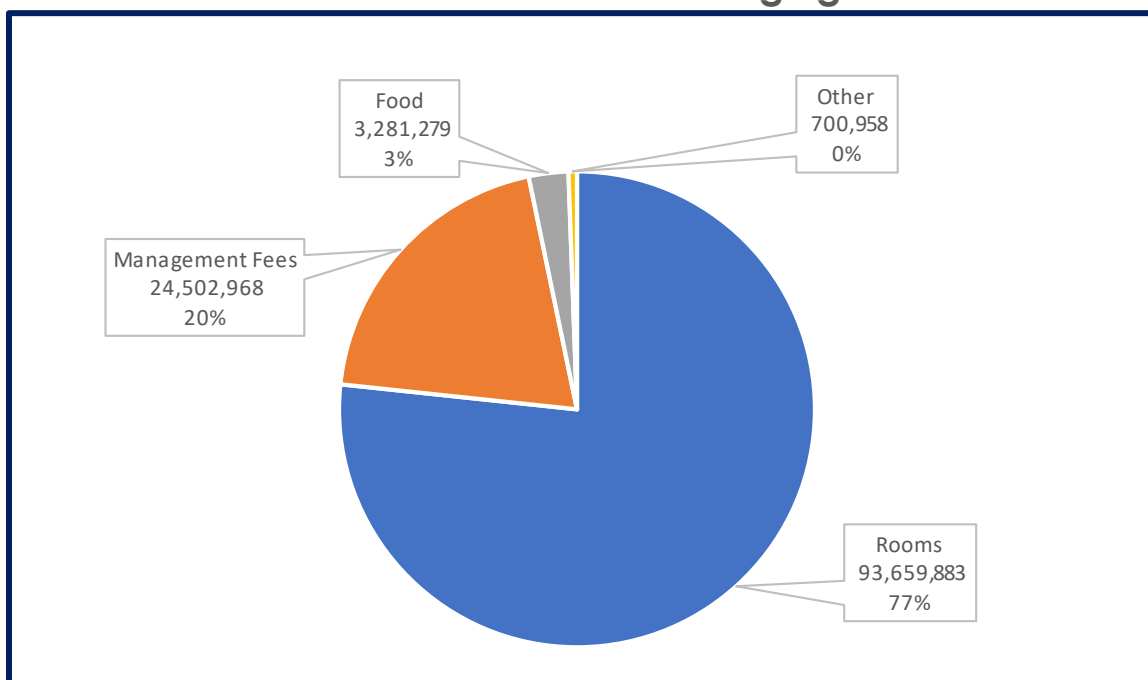
⁸ According to NYCEM's *Notice to Cure & Opportunity to Be Heard* letter, NYCEM said that Crew failed to timely remit payments to HE, failed to administer the program, failed to cooperate with NYCEM, and failed to have regular meetings.

⁹ Invoices included hotel folios and summaries containing detailed reservation information.

In addition to Crew and HE, NYCEM employed other vendors to assist the agency with the Program. For example, Hagerty Consulting Inc. (Hagerty) provided surge staff to NYCEM to be used in its emergency operations, including reconciling electronic invoices and hotel invoices submitted by Crew, as part of NYCEM's Finance Review and Compliance Team and serving as part of NYCEM's Data Team.

In total, 308 hotels participated in the Program. According to NYCEM's data, the agency paid a total of \$122,145,088—including \$24,502,968 in management fees—to Crew and HE for the hotel lodging program, for services provided during the period from March 21, 2020 to July 31, 2020.¹⁰ Please see Chart I for a breakdown of the charges.

Chart I: Invoiced Amounts Paid for Hotel Lodging Contract



Objective

The objective of this audit was to determine whether NYCEM established adequate internal controls over its Hotel Lodging Contract during the COVID-19 pandemic and whether payments under the contract were appropriate and fully supported by documentation.

Discussion of Audit Results with NYCEM

A preliminary draft report was sent to NYCEM and discussed with NYCEM officials at an exit conference held on February 18, 2022. Where applicable, comments provided by NYCEM officials at the exit conference were included in a Draft Report submitted to NYCEM on May 16, 2022,

¹⁰ Of the \$122,145,088, NYCEM paid Crew \$81,614,077 (including \$19,698,962 in management fees) and paid HE \$40,531,011 (including \$4,804,006 in management fees). According to NYCEM officials, these amounts are not final because reconciliations of the amounts paid to Crew are still being performed and NYCEM is attempting to recoup some management fees that were paid to HE.

with a request for written comments. After receiving the Draft Report, NYCEM provided additional information and documents relating to the questioned payments. Based on a comprehensive review of that material, the findings in the audit were modified and presented in a revised Draft Report which was submitted to NYCEM on March 28, 2023, with a request for written comments. We received a written response from NYCEM on May 2, 2023.

In its response, NYCEM generally agreed with the audit's recommendations. However, NYCEM disagreed with the audit's findings, arguing that they "were based on flawed methodologies, mistaken assumptions, and misinterpretations of supporting documentation."

The auditors considered NYCEM's response to the findings but did not find any basis to modify them. Where relevant, changes and comments have been added to the report.

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

Detailed Findings

The audit found that NYCEM's overall internal controls and its monitoring of the Hotel Lodging Contract were inadequate. Although NYCEM implemented some internal controls during the hotel lodging program, the controls were not sufficient.

NYCEM did not ensure that Crew fulfilled its contractual obligations to obtain appropriate supporting documentation before paying for lodging and other services and did not ensure that Crew or HE performed required reconciliations. NYCEM did not ensure that duplicate payments were eliminated, and it paid Crew/HE management fees on all bookings, including those not supported by documentation and those found to be duplicates.¹¹

During the contract, NYCEM paid a total of \$93,659,883 to Crew/HE for hotel rooms supplied under the Hotel Lodging Contract. NYCEM also paid Crew/HE more than \$24 million in management fees. The contract provided for Crew to receive management fees on a per booked room per night basis, with the exception of blocked hotels rooms, for which management fees were paid regardless of whether the rooms were used.

During the audit, a sample of the \$93.7 million paid to Crew for hotel lodging was reviewed for the period from March 21, 2020 to July 31, 2020. A total of \$6,877,843 in payments was reviewed to determine if payments were supported by appropriate documentation. Of this amount, 46% were found not to have been appropriately supported—\$1,994,295 of the sample lacked *any* supporting documentation, and a further \$1,194,041 in payments had documentation that was not consistent with the contract terms and conditions, and moreover, did not provide a reasonable assurance that rooms were provided to the intended recipients. The associated management fees paid to Crew/HE totaled \$487,484.

During the audit, NYCEM advised the auditors that it waived Crew's contractual obligation to submit hotel invoices for an additional \$18 million in payments (not included in the sample review), accepting summaries in lieu of invoices. These summaries were not source documents generated from the hotels' reservation/payment systems. The associated management fees totaled \$2.8 million.

In addition to the amounts referenced above, the auditors conducted an analysis of all bookings for the period April 10 to July 31, 2020, and found nearly \$1.7 million in duplicate bookings NYCEM should not have paid.¹² The associated management fees for these duplicate payments totaled \$293,151.

In total, auditors identified \$26.5 million in inadequately supported payments, unsupported payments, and duplicate payments, along with associated management fees, that should have been disallowed. A breakdown of the total potential recoupment is shown in Table I below.

¹¹ Based on the documentation provided by NYCEM, the auditors were unable to trace the payments paid directly to HE or those paid to HE through Crew.

¹² Auditors excluded \$2.9 million in payments from the duplicate testing due to the inadequacy of the data. The original data did not include individual rows by name for each reservation, and data later submitted did not include guest names.

Table I

Total Potential Recoupments

Category	Dollar Amount	Management Fees	Recommended Recoupment
Payments without any supporting documentation	\$1,994,295	\$263,935	\$2,258,230
Payments with inadequate supporting documentation	\$1,194,041	\$223,549	\$1,417,590
Payments to hotels that submitted summaries in lieu of invoices	\$17,994,391	\$2,836,884	\$20,831,275
Duplicate payments	\$1,699,634	\$293,151	\$1,992,785
Total	\$22,882,361	\$3,617,519	\$26,499,880

Lastly, the audit found that NYCEM had poor oversight of the contractors and that its guidance to contractors was not consistently documented.

The audit recommends that NYCEM obtain appropriate support for all charges that are backed by questionable documentation not in line with the contractual requirement, and if such evidence is not provided, recoup unsupported and duplicate payments and associated management fees.

These issues are discussed in more detail in the following sections of this report.

Analysis of Payments Made for Hotel Reservations

The auditors conducted a review of sampled claims that NYCEM paid for accommodations from March 21, 2020 to July 31, 2020. The review included all documentation submitted to NYCEM to support the claims for payment, including documents collected and reviewed by HE as part of the reconciliation process it began in August 2020.

Auditors sampled payments totaling \$6,877,843, of which \$3,188,336 (46%) were inadequately supported or not supported at all, as discussed below.

Payments with No Supporting Evidence

NYCEM made payments to Crew/HE totaling \$1,994,295, as well as an additional \$263,935 in associated management fees. No documentation was submitted to support these charges.

Under the terms of the contracts with Crew/HE, all hotel payments were to be supported by invoices. Exhibit 2 of the Modification & Extension Agreement, under the heading Documentation of Costs, states, "All costs shall be supported by properly executed payrolls, time records, invoices, or vouchers, or other official documentation evidencing in proper detail the nature and propriety of the charges. All checks, payrolls, invoices, contracts, vouchers, orders or other accounting documents, pertaining in whole or in part to the Agreement, shall be clearly identified and regularly accessible." To reinforce this requirement, NYCEM indicated that it communicated verbally to Crew on more than one occasion that folios were required to support payments.

NYCEM also provided an email dated May 21, 2020, from Crew acknowledging that hotel invoices were required.

During the period of March 21 to April 9, 2020, NYCEM made payments totaling \$1,994,295 to Crew/HE without any supporting documentation, as well as \$263,935 in associated management fees. NYCEM should have disallowed these payments.

Inadequately Supported Payments

A further \$1,194,041 should have been disallowed because the documentation that Crew/HE provided did not adequately support the claims made by the hotels.

During the exit conference, NYCEM disagreed with the auditors' assessment of the documentation provided, claiming that it was sufficient to support payment claims. NYCEM's position, however, contradicts both the plain language of the contract and guidance that was provided by NYCEM to Crew. In an email NYCEM sent Crew regarding outstanding documentation on October 26, 2020, NYCEM indicated that "all reservations must have an independent, hotel generated folio [invoice] with all itemized charges that is independently created by the relevant hotel." Payments were nonetheless made without such documentary support.

As discussed in detail below, much of the documentation that hotels submitted during this period was not contemporaneous and did not consist of invoices that are routinely available and provided to individual guests, travel agencies, corporate clients, and others who have booked rooms under a negotiated rate upon check-out. This is concerning.

NYCEM has not explained why invoices/folios printed from hotel systems were provided in some instances and not in others, or why it accepted the documentation that it did as a basis for payment. The details of the inadequately supported payments are as follows.

Residence Inn Bronx (Generic Summaries in Lieu of Hotel Invoices)

Supporting documentation provided by NYCEM for the period of April 10 through July 31, 2020, showed that the Residence Inn Bronx submitted 195 of the 229 required hotel invoices. The documents for the remaining 34 reservations did not contain the hotel's letterhead and did not contain any other indicators that they were prepared by the hotel. In total, this hotel received \$259,348 for these 34 reservations, for which Crew/HE received \$34,539 in management fees.

Holiday Inn NYC Times Square (Missing Support)

This hotel should have submitted invoices for 575 reservations for the period of March 31 through June 19, 2020. NYCEM only showed acceptable documentation for eight of them.

A breakdown of the remaining 567 reservations is as follows:

- For 364 reservations, documents other than hotel invoices were submitted. For 358 of these, the same generic email was submitted, referencing four "no show" guests that were not associated with any of these reservations. The remaining six reservations consisted of general emails about the status of the reservations (e.g., a changed arrival date, or a notice that a guest is extending their stay). In total, the Holiday Inn NYC Times Square received \$536,496 for 364 inadequately supported reservations while Crew/HE received \$106,721 in related management fees.

- For the remaining 203 reservations, the rooms were reportedly blocked for federally qualified health center participants during the period in question (April 22 through June 10, 2020).¹³ Because the contract stipulated that blocks were to be paid for whether they were used or not, the auditors did not include these 203 reservations in the calculation of overpayments.

Opera House (Computer Screenshot Submitted as Evidence)

This hotel submitted to HE a computer screenshot listing hotel charges as the sole support for a reservation for the period April 5 to June 15, 2020. The screenshot does not contain the hotel name or any other identifiers that would allow NYCCEM or the auditors to verify that the screenshot came from Opera House; it is clearly not an invoice generated from the hotel's point of sale or billing system. The hotel received \$5,610, while Crew/HE received \$1,325 in management fees for this reservation.

Review of Sampled Reservations

Of the 46,668 reservations included in the final invoice provided by HE (for the same period of April 10 through July 31, 2020), the auditors reviewed 467 reservations totaling \$1,024,324 and found that information contained in 58, totaling \$163,222 (16%), did not match the electronic data showing what was billed. The review found the following inadequate forms of documentation and other inconsistencies:

- **Excel spreadsheets:** Twenty-four invoices submitted by 12 hotels were accompanied by what appear to be Excel spreadsheets instead of documents generated from the hotel's point of sales or billing system. These hotels received \$64,664 and Crew/HE received \$7,245 in management fees.
- **Summaries:** Six hotels submitted summaries in lieu of invoices for seven reservations. These hotels were not identified by NYCCEM in its final invoice review as hotels allowed to submit summaries (see Table III below).¹⁴ The hotels received \$42,847 and Crew/HE received \$7,073 in management fees.
- **Different guest names:** Eleven invoices from four hotels contained guest names that did not match the names recorded in the electronic data. These hotels received \$20,433 and Crew/HE received \$3,725 in management fees.¹⁵

¹³ The hotel received \$910,480 for the 203 reservations. Because the rooms were paid for as part of a block, this amount is not included in the amount for recoupment. However, NYCCEM indicated that hotel invoices were still required to confirm overall charges. Instead, the hotel submitted a summary that (1) contained no indication (e.g., hotel letterhead or some other identifying feature) that it came from this hotel, (2) accounted for only 67% of the nights billed during this period, and (3) did not list guest names.

¹⁴ As noted below, the auditors did not accept summaries in lieu of source documentation.

¹⁵ This amount does not include an overlap in payments of \$1,020 in hotel costs and \$137 in management fees because these amounts are included in the duplicate payments for which recoupment is recommended.

- **Generic documents:** Ten invoices from six hotels did not contain any identifying information from the hotel (e.g., letterhead, hotel name, or hotel address). These hotels received \$17,930 and Crew/HE received \$3,698 in management fees.¹⁶
- **Invalid web links:** Additionally, the auditors were unable to open the invoice web links provided by NYCEM for six guests at four hotels, and were unable to match the invoices with the electronic data. NYCEM indicated that it could not devote time to locate the invoices for these guests. These hotels received \$17,348 for these guests and Crew/HE received \$2,253 in management fees.

Review of Additional Documentation Submitted after the Original Draft Report Issuance

After the original draft report was issued, NYCEM submitted Excel-type or Word documents instead of invoices generated by the hotels' point of sales systems from seven hotels, in support of reservations totaling \$146,854 for the period of March 21 through April 9, 2020.

- Days Inn by Wyndham Long Island City submitted a document containing a table listing the charges, and the Hotel Pennsylvania submitted an email about a guest's charges. These two hotels were paid \$57,919 while Crew received \$13,041 in management fees for these reservations.
- Days Inn by Wyndham Marine Park, Comfort Inn Times Square West, Ramada by Wyndham Bronx, Days Inn by Wyndham Borough Park, and Par Central Motor Inn submitted PDFs of what appear to be Excel documents. These hotels were paid \$88,935 while Crew received \$25,056 in management fees for these reservations. The documents from these five hotels were not on hotel letterhead and appeared to have the hotel logos pasted in at the top of the documents.

NYCEM also provided invoices relating to payments to Crew totaling \$82,511 for the period of March 21 through April 9, 2020, for which the auditors were unable to match the names on the invoices with the payment data.

The detailed explanations contained above are summarized below, in Table II.

¹⁶ This amount does not include an overlap in payments of \$1,428 in hotel costs and \$234 in management fees because these amounts are included in the duplicate payments for which recoupment is recommended.

Table II

Inadequately Supported Payments

Category	Payments Not Adequately Supported	Associated Management Fees for Dollar Amount Not Supported	Recommended Recoupment Based on Auditors' Review of Documentation
Residence Inn Bronx – generic summaries in lieu of hotel invoices	\$259,348	\$34,539	\$293,887
Holiday Inn NYC Times Square – missing support	\$536,496	\$106,721	\$643,217
Opera House – computer screenshot submitted in lieu of hotel invoice	\$5,610	\$1,325	\$6,935
Subtotal	\$801,454	\$142,585	\$944,039
Randomly Sampled Reservations			
Excel style documents submitted rather than hotel invoices	\$64,664	\$7,245	\$71,909
Hotels that submitted summaries rather than hotel invoices	\$42,847	\$7,073	\$49,920
Guest names did not reconcile with payment data	\$20,433	\$3,725	\$24,158
Generic documents submitted - hotel not identified	\$17,930	\$3,698	\$21,628
Unable to open hotel invoice web links	\$17,348	\$2,253	\$19,601
Subtotal	\$163,222	\$23,994	\$187,216
Documentation Submitted After Original Draft Issuance			
Excel/Word style documents submitted rather than hotel invoices	\$146,854	\$38,097	\$184,951
Invoices where guest names could not be reconciled with payment data	\$82,511	\$18,873	\$101,384
Subtotal	\$229,365	\$56,970	\$286,335
GRAND TOTAL	\$1,194,041	\$223,549	\$1,417,590

The \$163,222 in payments that auditors found to be inadequately supported were taken from a sample population of \$1,024,324 in payments (accounting for 16% of those payments). The results of the sample are not projected to the entire population of payments. However, if the documentation issues relating to these sampled payments existed to the same degree in the total population of \$91,681,742 from which the sample was selected, an estimated \$14,669,079 (16%) in paid claims would be inadequately supported, as well as an associated amount of \$2,139,665 in management fees.¹⁷

In its response, NYCEM took exception to the samples reviewed by the auditors and argued use of judgmentally selected samples, and that they were not representative of the whole. However, the auditors randomly selected reservations for review. In addition, auditors reviewed reservations for which NYCEM had agreed to accept summaries in lieu of invoices (i.e., the reservations having

¹⁷ Of the \$177,932 in management fees paid to Crew and HE in connection with the sampled payments, \$23,994 (13%) were related to payments that were inadequately supported. Applying this percentage to the full population of management fees from which the sample was selected (\$16,458,962) paid on the contract by NYCEM, \$2,139,665 in management fees may have been associated with unsupported payments.

“different data characteristics”). These were selected on the basis that NYCEM did not collect or review supporting documentation prior to making payment.

NYCEM Allowed HE to Submit Summaries in Lieu of Hotel Invoices

Auditors learned that NYCEM waived Crew’s contractual obligation to submit hotel invoices, accepting summaries instead, for other payments totaling almost \$18 million, for which Crew/HE received \$2.8 million in management fees. These payments should have been disallowed on the basis that the accompanying documentation did not provide the same level of assurance as the documentation required by the contract.

In its final invoice report dated January 15, 2021, NYCEM indicated that it would allow HE to collect summaries from 24 of the 308 participating hotels at the end of the Program. These 24 hotels received payments totaling \$17,994,391 and Crew/HE received \$2,836,884 in associated management fees. These payments do not include the sampled payments reviewed by auditors. Please see Table III, below, for a breakdown of payments per hotel.

Some summaries contained a listing of the guests’ names, their check-in and check-out dates, and the nightly rates, while others listed only the number of rooms occupied, the rate, and the total room charges.

The auditors question NYCEM’s decision to allow HE to accept summaries from hotels at the end of the Program. With few exceptions, the hotels concerned are associated with major hotel chains that should be able to maintain computerized reservation and billing records. As noted below, several of the hotels in Table III submitted both summaries and invoices and NYCEM has not explained why it was not possible to provide hotel invoices in certain cases. More than \$17.9 million in payments were verified based on summaries prepared after the fact, rather than by source documentation generated from hotel reservation/payment systems.

Table III

Payments to Hotels Approved to Submit Summaries in Lieu of Invoices at the End of the Program

#	Hotel Name	# Of Paid Reservations	# Of Reservations Where Invoices Were Provided by Hotels	# Of Reservations for Which Summaries Were Provided	Corresponding Amount Paid to Hotels	Associated Management Fees Paid to Crew/HE
1	Radisson Hotel New York Wall Street†	2,355	0	2,355	\$2,909,066	\$408,888
2	Millennium Hilton New York One UN Plaza	1006	0	1006	\$2,221,812	\$287,439
3	Holiday Inn Express LaGuardia Airport†	925	0	925	\$2,155,750	\$259,878
4	Fairfield Inn & Suites New York Manhattan / Central Park†	272	84	188	\$1,649,890	\$245,649
5	Millennium Hilton New York Downtown	733	0	733	\$1,483,658	\$224,847
6	Hilton Garden Inn New York Times Square South†	438	0	438	\$1,380,559	\$326,298
7	TownePlace Suites by Marriott New York Long Island City/Manhattan View†	346	213	133	\$1,348,620	\$164,787
8	The Paul Hotel NYC-Chelsea, Ascend Hotel Collection	602	0	602	\$941,171	\$190,326
9	Comfort Inn Midtown West†	900	0	900	\$859,533	\$129,744
10	TRYP by Wyndham New York City Times Square South	428	7	421	\$778,141	\$171,501
11	Radisson Hotel New Rochelle	344	1	343	\$677,745	\$109,917
12	Hyatt Place Flushing/LaGuardia Airport*	182	0	182	\$546,039	\$76,599
13	Element New York Times Square West	222	38	184	\$291,258	\$78,962
14	Wingate by Wyndham New York Midtown South/5 th Ave	258	146	112	\$208,302	\$35,219
15	Hyatt Place New York/Yonkers	210	180	30	\$136,437	\$41,391
16	La Quinta Inn & Suites by Wyndham Times Square South	397	362	35	\$102,621	\$17,127
17	Courtyard by Marriott New York City Manhattan Midtown East	1,368	1,351	17	\$63,661	\$9,162
18	Best Western Brooklyn Coney Island Inn*	77	0	77	\$67,616	\$21,654
19	JFK Inn	71	0	71	\$58,597	\$9,916
20	Holiday Inn Express Manhattan Times Square	19	0	19	\$21,186	\$5,591
21	Hotel Key LaGuardia Airport	27	12	15	\$20,640	\$4,644
22	La Quinta Inn & Suites by Wyndham New York City Central Park	482	441	41	\$18,957	\$5,087
23	Opera House Hotel	219	208	11	\$37,070	\$8,829
24	Aloft Harlem*	132	0	132	\$16,062	\$3,429
	Hotel Totals	12,013	3,043	8,970	\$17,994,391	\$2,836,884

† These six hotels represent blocked hotels housing special populations.

* These hotels were not on NYCEM's list of approved hotels from which a summary should be accepted.

In its response, NYCEM disagreed that it waived Crew's contractual obligation to submit hotel invoices, stating that "neither the contract nor the subsequent modification specified that only a specific invoice format would be accepted." However, Exhibit 2 of the Modification & Extension

Agreement clearly states that all costs are to be supported by invoices indicating in proper detail the nature and propriety of charges. NYCEM also communicated to Crew in writing on numerous occasions that invoices were required to support payments. Finally, the audit found that some of the documentation accepted as evidence by NYCEM lacked identifying information to indicate that they were in fact created by the hotels. Auditors find no basis to modify this finding.

Potential Duplicate Reservations Totaled Almost \$1.7 Million

The audit identified \$1,699,634 in potential duplicate billings (and \$293,151 in associated management fees) that NYCEM should review and potentially recoup.¹⁸

The Modification Agreement required Crew to develop a system to identify and block duplicate reservations. NYCEM paid Crew \$495,000 for developing technology to support this requirement, and Crew directed HE to perform the work. However, NYCEM provided no evidence that it monitored the contractors' compliance with this requirement or received any confirmation that the system modification was implemented. In addition, according to NYCEM officials, the data it received from Crew/HE required data cleansing by NYCEM's Data Team.¹⁹ This took time and required NYCEM to expend additional resources.

NYCEM indicated that its Data Team identified 7,100 potential duplicate room nights and NYCEM requested and received a credit for 3,550 duplicate room night billings from HE, totaling \$539,407. NYCEM's Data Team, however, did not identify all potential duplicates. The auditors' subsequent review of electronic invoice data submitted by HE identified additional reservations paid by NYCEM that appear to be duplicates.²⁰ The potential duplicates include reservations for guests with identical names, reversed names (e.g., John Smith and Smith John) and fuzzy duplicates (e.g., names with slight spelling variations).²¹ After removing billings identified as blocked rooms, a review of the combined HE reservation and invoice data (electronic data) revealed another 13,316 overlapping nights associated with 2,120 potential duplicate reservations, as shown in Table IV below.

¹⁸ The auditors excluded all instances where there was only one day overlap from their calculations.

¹⁹ An example of data cleansing is removing excess spaces in the data and identifying whether characters or numbers are appropriate for the individual data fields.

²⁰ Duplicate reservation testing was not performed on the data for the time period of March 21, 2020 through April 9, 2020, due to the inadequacy of the data; Crew did not include individual rows for each reservation but rather included multiple names in each row. Data later resubmitted to NYCEM did not include guest names.

²¹ Using Audit Command Language, the auditors matched guest names with overlapping hotel stays. Telephone numbers and email addresses were further used during a manual review to determine whether reservations should be included in the auditors' list of potential duplicates.

Table IV

Potential Duplicate Reservations
Identified

	Total # of Reservations Associated with Potential Duplicate Reservations	Number of Potential Duplicate Reservations	Number of Overlapping Nights	Approximate Dollar Amount for Overlapping Nights Paid to Hotels	Approximate Dollar Amount for Overlapping Nights Paid to Management Vendor
Checked in Guest Reservations					
Duplicates Identified with the Same Names	3,489	1,863	12,160	\$1,523,624	\$264,207
Overlapping Duplicates	69	38	190	\$47,495	\$6,396
Duplicates Identified with Reversed Names	102	45	251	\$36,621	\$5,289
Duplicates Identified with Names with Slight Spelling Variations	131	70	513	\$67,366	\$12,790
Sub Total	3,791	2,016	13,114	\$1,675,106	\$288,682
No-show Reservations					
Duplicates Identified with the Same Names	202	100	194	\$23,584	\$4,268
Duplicates Identified with Misspelled/Reversed Names	8	4	8	\$944	\$201
Sub Total	210	104	202	\$24,528	\$4,469
Grand Total of Duplicate Reservations	4,001	2,120	13,316	\$1,699,634	\$293,151

As shown in the table above, hotels received \$1,699,634 for reservations identified by the auditors as potential duplicates, while Crew/HE received \$293,151 in related management fees, bringing the total to \$1,992,785. NYCEM should review these reservations and recoup overpayments, where appropriate.

Notably, the auditors identified 69 reservations paid to the Holiday Inn New York City Times Square during the period April 11 to April 27, 2020, that overlapped with the reservations for the Hilton Garden Inn New York Times Square South. Of the 69 Holiday Inn reservations:

- The guest names for 55 were simply reversals of the last and first names of guests that were billed as staying at the Hilton Garden during the same periods.
- The guest names for 14 had slight spelling variations from the guests billed as staying at the Hilton Garden (e.g., Gayle Alexander and Gail Alexander).

Nearly all of the questioned Holiday Inn reservations were dated between the check-in and check-out dates for the Hilton Garden—all 69 Holiday Inn check-in dates were after the Hilton Garden check-in dates; 65 reservations had check-out dates before or on the same day as the Hilton Garden reservations; and the remaining four reservations checked out one day after. All 69 reservations were supported by the same questionable documentation—an email referencing “no

show” guests that were not associated with these reservations (as mentioned in the previous section).

Based on the data received from NYCEM, all 69 reservations appear to have been booked after the check-in date. The documentation for 68 of the 69 reservations shows “booked dates” in December 2020, nearly eight months after the April 2020 check-in dates. Further, documentation provided by the hotel did not adequately support the stay. The auditors estimate that the Holiday Inn received \$47,495 for these reservations, while Crew/HE received \$6,396 in management fees.

The details of these issues were shared with NYCEM during the audit. In response, NYCEM indicated that the Holiday Inn was a blocked hotel; however, the 69 reservations were prior to the date that NYCEM placed the block, and they were not identified as blocked rooms in the electronic data as were other Holiday Inn reservations.

In its response, NYCEM questioned the finding, attributing the duplicates identified by auditors to blocks of rooms being booked under one authorized point of contact or to different individuals with the same name. Duplicates cited by auditors, however, did not include blocks of rooms; almost 90% of the instances pertained to two reservations with the same name, and no more than eight reservations were identified for any of the duplicates cited. NYCEM did not provide evidence to refute any of the duplicates cited by auditors when the results of their analysis (including names, dates, hotels) were shared with the agency. The finding stands.

Other Ineligible Charges

The auditors found that hotels were paid \$228,964 for food, laundry, and telephone charges that they were not entitled to receive under the terms of the Hotel Lodging Contract.

Clients referred from DOC, DYCD, DHS, and hospital discharges were eligible to receive essential services such as three meals per day, personal laundry, and transportation. Hotels were eligible to be reimbursed for food and laundry services provided to these clients. However, healthcare and shelter workers were not eligible for such services under the contract. While hotels were to provide unlimited inbound and outbound domestic calls at no charge, long-distance calls were not reimbursable. A review of the electronic data revealed that 19 hotels were paid \$224,409 for food and laundry fees for healthcare workers and eight hotels were paid \$4,555 for ineligible telephone charges.

According to NYCEM, due to the circumstances of the pandemic, some hotels provided food and laundry services to healthcare workers. In addition, certain hotels at the beginning of the Program were unaware of the restrictions for long-distance calls. NYCEM decided not to pursue recoupment because it deemed the telephone charges nominal and believed that the hotels were acting in good faith. NYCEM is not only expected to hold vendors to the terms and conditions provided in executed contracts, but its oversight and monitoring activities should include the clear communication of eligibility information to vendors at the beginning of their contracts.

NYCEM's Program Implementation and Guidance

Poor Oversight and Monitoring of Contractors

The auditors concluded that NYCEM did not institute adequate oversight over Crew or HE to ensure they performed in accordance with contract terms and conditions.

According to agency officials, because NYCEM is a smaller City agency, they rely on the use of outside vendors to assist them with their programs. NYCEM's reliance on vendors increases the importance of its oversight and monitoring activities. While there are indications that NYCEM attempted to monitor the contract vendors, the fact that Crew was paid before it supplied required documentation, the existence of duplicate and suspect reservations, approval of charges not reimbursable under the contract terms and conditions, and HE's failure to provide appropriate documentation as part of its obligations related to hotel invoice reconciliation, are all evidence of poor overall oversight and monitoring.

There are no indications that NYCEM required either Crew or HE to implement their own internal controls, even once issues became known. According to NYCEM's written justification for a non-competitive procurement for the Hotel Lodging Contract, Crew was responsible for implementing controls to reduce fraud. NYCEM provided no evidence to the auditors that Crew put in place any measures intended to reduce fraud, such as requiring hotels to provide adequate documentation, requiring identification or proof of employment at check-in, developing effective processes to prevent duplicate bookings, and/or establishing safeguards to prevent its staff and others from making fraudulent bookings.²²

NYCEM became aware of the issue with duplicate reservations early in the Program. According to a summary of a review of April 2020 electronic invoices submitted by Crew, the NYCEM Finance Review and Compliance Team indicated that it noticed the same individuals booking multiple rooms on a given night, often at multiple hotels. The team also indicated that they did not believe there was a system in place to prevent duplicates and that the burden may be on NYCEM's HCC to establish preventative measures and address the duplicate rooms through the intake process.

Although NYCEM did attempt to monitor duplicates, the process it established did not catch potential duplicates based on the use of reversed names, names with minor spelling changes, and other "fuzzy" indicators, as noted above.

According to NYCEM's HCC Incident Tracker, NYCEM's HCC division registered 446 incidents at the hotels between May 4 and August 4, 2020, involving parties in the hotel rooms, smoking, and damage to hotel property. Seventy-four of these incidents reportedly involved ineligible guests. Of the 74 incidents, the auditors were only able to match 46 guest names to the electronic data, which is a strong indication that the people in the remaining 28 instances were not registered guests and may represent bookings that should not have been paid for under the Program. In addition, NYCEM paid over \$52,000 due to damage to hotel rooms over the course of the Program.

²² According to an October 5, 2021, press release issued by the Southern District of New York, four defendants, including a call center employee who handled reservations for the program, were charged with committing fraud in the amount of \$400,000 against the hotel program.

In its response, NYCEM disagreed with the auditors' conclusions and referred to its continuous work with Crew and HE to develop fraud controls and to its termination of Crew's contracts as evidence of its oversight and monitoring. While NYCEM appears to have taken certain measures, they did not prevent unsupported and duplicate payments and were ineffective in protecting the City's fiscal integrity.

NYCEM's Guidance to Contractors Not Consistently Documented

The Hotel Lodging Contract required that Crew conduct daily briefings/meetings or calls with NYCEM program staff about program implementation. NYCEM provided only two emails indicating that calls were scheduled with daily recurrence. The emails did not document what was discussed or decided. According to Comptroller's Directive #1, *Principles of Internal Control*, "Internal controls should be documented in management administrative policies or operating manuals."

NYCEM indicated that programmatic and policy decisions were constantly being developed at the Program leadership level and that NYCEM worked closely with City Hall and partner agencies to determine needs, policy changes, and implementation. However, NYCEM provided limited written communication and/or memoranda regarding programmatic and policy decisions, nor did it provide evidence of guidance issued to the contractors.

NYCEM provided limited evidence of email communications or memoranda from City Hall containing policy changes. Only one document outlining eligibility criteria for the Program was provided. The Program was not generally supported by written policies and procedures, and NYCEM sent only one policy document to the auditors—a Hotel Guest Removal for Fraud or Ineligibility policy. At the exit conference, NYCEM officials stated that the agency had developed draft operating procedures. Although the auditors requested these documents, NYCEM did not provide them. NYCEM stated that, due to the pandemic, many policy decisions were made over the telephone and there was not enough time to document them. NYCEM further indicated that the policies were fluid and evolved as the Program evolved. NYCEM officials also stated it would be a substantial administrative strain to provide the documentation because NYCEM is preparing for other potential emergencies (i.e., coastal storms and heat season).

The pandemic and potential future emergencies notwithstanding, the City expended a significant amount of funds for this Program—over \$100 million. This amount warranted appropriate levels of fiscal oversight and monitoring. In the absence of proper oversight and documented decisions, NYCEM had limited assurance that program policies and guidance were appropriately communicated, understood, and applied consistently by the various NYCEM units and contractors (Crew, HE, King Call Center, Hagerty Consultants) involved with the Program.²³ This lack of oversight hindered NYCEM's ability to hold staff and contractors accountable.

²³ The King Call Center was responsible for receiving calls from the public requesting hotel rooms. King staff followed a script from a Formstack Form and forwarded the intake information to Crew/HE for a reservation.

Recommendations

The auditors recommend that NYCEM:

1. Make every effort to obtain appropriate support for charges that are backed by summaries and other questionable documentation. In instances where appropriate support is not provided, recoup the payments along with payments made for duplicate reservations—plus associated management fees—referred to above.

NYCEM Response: NYCEM generally agreed with this recommendation. NYCEM states that it is withholding amounts claimed by Crew following the termination of the contract for cause, and agreed to consult with the relevant City agencies if further recoupment is warranted.

Auditor Comment: It is unclear from NYCEM's response whether it will pursue reimbursement for all questioned amounts will be covered by withheld funds or otherwise pursued. Auditors continue to recommend that NYCEM do so.

2. In future, establish written standards for monitoring vendor contracts to ensure that contract terms and conditions are fully met, risk of fraud is mitigated, and claims for payment are properly substantiated prior to making payment.

NYCEM Response: NYCEM agreed with this recommendation.

3. Ensure that decisions clarifying contract terms and conditions (including those communicated during meetings/telephone conferences with its contractors) are recorded in writing and disseminated so that both NYCEM and its contractors have a clear understanding of what has been decided and what is expected of involved parties.

NYCEM Response: NYCEM agreed with this recommendation.

Recommendations Follow-up

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

Scope and Methodology

We conducted this performance audit in accordance with Generally Accepted Government Auditing Standards (GAGAS). GAGAS requires that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions within the context of our audit objectives. 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 audit scope was March 21, 2020 (the commencement of the Non-Medical Isolation Hotel Program) through July 31, 2020.²⁴

The auditors requested NYCEM's written policies and procedures, as well as any written policies and procedures that NYCEM provided to the contractors.

In order to obtain a general understanding of the operations within HCC and the responsibilities of the Center's personnel, the auditors conducted interviews with NYCEM's Chief Financial Officer, Deputy Chief Financial Officer, Deputy Commissioner of Legal Affairs, and Executive Director of Hazard Mitigation and Recovery. In order to obtain an understanding of the guest booking process, the Director of the HCC Booking Team was interviewed. The auditors also interviewed a NYCEM Deputy Operations Section Chief to obtain an understanding of the HCC Resolution Center. Written confirmations of key information discussed during the interviews was obtained.

The auditors also interviewed vendors who assisted NYCEM with the Program. Hagerty Consulting Associates assisted NYCEM's Finance Review and Compliance Team. To obtain an understanding of Hagerty's roles and responsibilities, the auditors interviewed a Hagerty certified public accountant and an associate recovery professional. To obtain an understanding of the HCC Data Team's responsibilities, a Hagerty Senior Emergency Manager was interviewed. To obtain an understanding of the King Call Center's responsibilities with regard to guest intake, the auditors interviewed the President of King Teleservices LLC, a Department of Information Technology and Telecommunications vendor. Written confirmations of key information discussed during the interviews was obtained.

To determine NYCEM HCC's responsibilities with regard to oversight and monitoring of its Hotel Lodging Contract, the auditors reviewed and, where applicable, used as audit criteria the following documents:

- NYCEM Hotel Lodging Contract with Crew and Amendments to the Contract;
- NYCEM Emergency Buy-Against Agreement with HE;
- Agreement between Hagerty Consulting and NYCEM;
- Non-Medical Isolation Hotel Program Overview;
- Hotel Suspected Fraud Removal Protocol;

²⁴ The auditors received reservation data for the period March 21, 2020 through April 9, 2020, managed solely by Crew. However, the data was incomplete as web links to guest hotel invoices were not provided by NYCEM in order to test the invoice amounts against the data. Therefore, the auditors excluded this data and only utilized the HE data for the period of April 10, 2020 through July 31, 2020, for testing. The HE data contained check in dates from March 27, 2020, was considered complete by NYCEM, was utilized by Hagerty for the final invoice reconciliation, and contained supporting documentation.

- Healthcare Worker Intake Hotel Assignment Process;
- Hotel Engine Final Invoice Analysis report;
- Order of the Commissioner of Health and Mental Hygiene of the City of New York for the Provision of Non-Congregate Shelters;
- NYCEM request and other follow-up documentation addressed to FEMA regarding Non-Congregate Sheltering;
- FEMA Procurement Under Grants Conducted Under Emergency or Exigent Circumstances for COVID-19;
- Comptroller's Directive #1: Principles of Internal Control;
- HCC's organizational chart;
- U.S. Government Accountability Office's *COVID-19: GAGAS Audit Alert*;
- New York City COVID 19 Non-Medical Isolation Hotel Program Acknowledgement; and
- COVID-19 Guidance for Hotels with Guests with Symptoms Associated With COVID-19.

To assess the reliability of the computer-processed data maintained solely by Crew, the auditors examined an electronic invoice submitted by Crew containing a listing of final payments made by NYCEM to the hotels for the period of March 21, 2020 through April 9, 2020 named HCC_OMB_Data_Pre4.10 and marked by NYCEM as "NYCEM working data-not final". Using Audit Command Language (ACL), the data was reviewed to determine whether there were any corrupt data or incorrect field definitions. To determine the accuracy of the dollar amounts, the auditors used ACL to calculate the following data fields: nights billed, total room charges, nightly food rates, nightly laundry rates, total booking fees, and total due to Crew under program. Finally, using ACL, the data was tested for duplicate contract IDs.²⁵

Upon review of the data, the auditors concluded that the data was not supported by any hotel invoices; either by a URL web link embedded within the data (as with the HE Final Invoice Data) or by any hotel invoice documents saved outside the data. Finally, the data did not contain guest names. As a result, no detailed testing of the data could be performed. After the exit conference, NYCEM provided hardcopy hotel invoices or other documents for \$979,951 in claims. NYCEM did not provide any revised electronic data. To determine whether the names and dates reconciled with what was charged, the auditors attempted to match the names on the documents to individual electronic invoices submitted by Crew for this period.²⁶

To assess the reliability of the computer-processed data maintained by HE and Crew, the auditors examined a final invoice submitted by HE, containing a list of final payments made by NYCEM to the hotels through HE for the period of April 10, 2020 to July 31, 2020, named #201228_002 (HE Final Invoice). An HE reservations list containing hotel reservations made by HE during the period of April 10, 2020, to July 31, 2020, named V_Reservations (HE Reservations) was also reviewed.

The HE Final Invoice was provided by NYCEM in Excel format and contained several tabs that included but were not limited to: "Final Invoice," which included a summary of all program payment totals; "Summary by Hotels," which included final reservations and payments grouped by participating hotels; and "Contract Detail," which included a detailed listing of hotel reservations, payments, and adjustments for duplicate and cancelled reservations. The HE Reservations file was also provided by NYCEM in Excel format and contained one tab.

²⁵ According to NYCEM's Data Dictionary, a Contract ID is a "Unique ID for reservations (aka primary key) ... an auto-generated ID from Hotel Engine's systems." Contract IDs represent hotel reservations in Hotel Engine's systems.

²⁶ Data reliability testing was not performed on the individual electronic invoices submitted by Crew. Auditors performed data reliability testing on the combined Crew final invoice because according to NYCEM it was the "final dataset" and "the best available information for that period."

To obtain a listing of reservations made by HE and paid in full by NYCEM, the auditors used ACL to join the HE Final Invoice data with the HE Reservations data (HE Combined Final Invoice). Next using ACL, the auditors tested whether the HE Combined Final Invoice contained any corrupt data and incorrect field definitions (e.g., currency amounts in a date field). In addition, using ACL, the data was analyzed to determine whether the calculated amounts for billed nights and dollar amounts for total hotel stays, total food charges, total laundry charges, and booking fee charges were correct for each reservation. Furthermore, using ACL, the data was analyzed to determine: (1) whether there were any potential duplicate reservations by guest names; (2) whether the reservations were made within the timeframes the program was operational; and (3) whether any reservations were paid for by NYCEM before the actual hotel booking was made.

To test the accuracy and validity of the computer-processed data and to determine whether the information contained in the electronic data matched the information contained in supporting hotel invoices, using ACL, a sample of 467 reservations (totaling \$1,024,324) was randomly selected from a population of 46,688 reservations totaling \$91,681,742. The auditors also determined whether the reservations were adequately supported with sufficient source documents.²⁷ Five additional reservations were selected because they did not appear in the reservations data, to ascertain whether invoices were provided.²⁸

To determine whether NYCEM adequately monitored its vendors to ensure that the latter conducted reconciliations of hotel invoices, audited costs, and verified bills, the auditors reviewed a list of 9,719 reservations made by HE in 26 hotels.^{29 30} Supporting documentation provided by NYCEM via web links for the 9,719 reservations was reviewed to determine whether the documentation was sufficient. Further, the auditors requested and reviewed Signed Final Agreements between the hotels and HE to determine whether such agreements contained any additional supporting reservations information that was not included in the documentation provided by the hotels.³¹

To determine whether NYCEM ensured that its vendors established adequate internal controls over the hotel booking process to prevent and detect duplicate and overlapping reservations, using ACL, the auditors tested the Combined Final Invoice data to determine whether there were any potential duplicate and overlapping reservations for hotel guests with identical names, reversed names (e.g., John Smith and Smith, John) and fuzzy duplicate names (e.g., names with slight spelling variations) with duplicate or overlapping Billed Start and Billed End dates.

To determine whether NYCEM complied with the Program requirements and developed and provided adequate guidance to its vendors and the participating hotels, the auditors requested minutes of daily briefings/meetings or calls with NYCEM program staff on program implementation. In addition, the auditors requested copies of the Program policies and operating procedures including any modifications to such documents.

To determine whether NYCEM paid for any hotel stays that involved fraudulent activities, the auditors extracted reservations that were identified by HE as “Alleged fraud” in the HE

²⁷ Source documents such as hotel invoices and statements were provided by NYCEM in the form of web-links that were included in the HE Final Invoice data for each reservation.

²⁸ The ACL Join command resulted in five reservations that were found in the HE Final Invoice data but not in HE Reservations data.

²⁹ The reservations were extracted from the HE Combined Final Invoice data.

³⁰ The 26 hotels included 24 hotels that were permitted by NYCEM to submit supporting documents other than hotel invoices and two hotels that were identified as hotels that were not permitted to submit supporting documents other than hotel invoices but still submitted them to Crew/HE.

³¹ NYCEM used the Signed Final Agreements to reconcile invoices that were not supported by hotel invoices. The Signed Final Agreements contained the final reservation charges as well as client name information.

Reservations data and, using ACL, traced the reservations to the HE Final Invoice data containing final payments made by NYCEM. To test whether proper controls were in place during the intake and reservation process, the auditors identified how many reservations were flagged as fraudulent prior to guest check-in. Furthermore, the auditors reviewed the HCC Incident Log to identify incident trends, if any, and determine whether NYCEM established controls to minimize certain types of incidents such as ineligible guests.

To determine whether NYCEM ensured that its vendors complied with the Program's eligibility requirements and established internal controls over its billing process to prevent and detect food and laundry services provided to unqualified hotel guests, the HE Combined Final Invoice data was reviewed to identify any food and laundry payments. In addition, to determine whether hotels received payments for telephone charges that they were not eligible for, the auditors reviewed all telephone charges in the HE Combined Final Invoice data.

To determine whether NYCEM established adequate internal controls over the billing process and ensured that the hotels charged a two-night maximum for no-show reservations, the HE Combined Final Invoice population was analyzed using ACL.

Using ACL, the entire HE Combined Final Invoice data was analyzed to determine whether NYCEM complied with U.S. General Services Administration requirements and did not exceed the established daily hotel rates and daily food and laundry rates.

To determine whether NYCEM established adequate internal controls over the booking processes, the auditors, using ACL, tested the entire HE Combined Final Invoice population for any reservations that were made exclusively on holidays or holiday weekends.

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 NYCEM's oversight and monitoring of its Hotel Lodging Contract.



NEW YORK CITY EMERGENCY MANAGEMENT

165 CADMAN PLAZA EAST BROOKLYN, NEW YORK 11201

ZACH ISCOL
COMMISSIONER

May 1, 2023

Brad Lander, New York City Comptroller
Maura Hayes-Chaffe, Deputy Comptroller for Audit
Office of the New York City Comptroller
1 Centre St
New York, NY 10007

Dear Mr. Lander and Ms. Hayes-Chaffe,

The COVID-19 pandemic has been a global and local catastrophe on a scale previously unknown. Since New York City's first confirmed case was diagnosed on February 29, 2020, there have been more than three million diagnosed cases in the city, resulting in hundreds of thousands of hospitalizations, and almost 50,000 deaths. Given New York City's prominence as a global hub, the city was hit early, and it was hit hard. As one of the first major United States cities afflicted, New York was forced to develop its response to the disease without a blueprint, adjusting to day-to-day realities and developments on first impression. Despite the heroic, tireless efforts of responders throughout the public and private sectors, it took time to determine and refine the best strategies to address the COVID-19 response. As lessons were learned over the course of the response, strategies changed. With the benefit of hindsight, it may be possible to look back at some early actions and strategies and imagine that there were better ways to approach a problem, but it is important to bear in mind that those actions were taken with the best information and resources available at the time.

The purpose of this document is to respond to an audit, conducted by the New York City Comptroller's office, of the City's COVID-19 Hotel Program, a vital part of the City's COVID-19 response. The audit report is entitled "Audit Report on New York City Emergency Management's Controls over Its Hotel Lodging Contract" (hereinafter referred to as the "Audit"). In this response, New York City Emergency Management will discuss what we believe to be errors in the audit's methodology and statement of facts, and address and respond to the audit's recommendations. To properly contextualize this response, however, it is important to discuss the conditions in New York City at the beginning of the hotel program.

The program began as one facet of the City's efforts to mitigate the harms of COVID-19. Its purpose was to provide temporary housing to individuals impacted by COVID-19 but unable to isolate themselves.

The program commenced in the early, chaotic days of the pandemic, far before vaccines were available and even before COVID tests were available, before we had a developed understanding of how easily the disease was transmitted, and before there was a medical consensus on the best method of treatment for those who became severely ill. Thousands of people were getting sick on a daily basis, overwhelming hospital capacity and straining the city's infrastructure to a breaking point.

City Hall, in accordance with numerous demands from City Council members, determined that a hotel program would address several COVID-19 related harms. Among other issues identified and more fully discussed in the Audit itself, the program was intended to permit doctors and nurses to isolate without bringing the disease home to their families, to permit homeless shelters and jails to lessen their overcrowding, and to allow New York City residents to quarantine when their family members or roommates became ill. It also had the benefit of supporting a hotel industry that was faced with an existential crisis.

As was the case with many challenges presented by the pandemic, no City agency had prior experience running a program of this type or scale. New York City Emergency Management (NYCEM), after being directed to contract for and manage the program, entered into a Services Agreement with CrewFacilities.com, LLC (Crew), under which Crew was to provide hotel management services, including the sourcing, booking, tracking, and auditing of hotel expenses. Crew is a company with experience managing short-term hotel bookings on a large scale however Crew unfortunately proved incapable of performing the data management and tracking tasks necessary for the program. Crew contracted with another company, Hotel Engine, as a subcontractor to provide technical work and program support, including data management. On NYCEM's side, NYCEM employees were supported by consultants from Hagerty Consulting Inc., who performed a variety of tasks related to COVID-19 response, under the direct supervision of NYCEM managers.

The hotel program was desperately needed to save lives that might otherwise have been lost. In an effort to be sure that no one was hospitalized, or died, due to an infection that could have been prevented, the program started quickly, and it expanded rapidly. As a result, NYCEM was forced to draft policies and procedures on the fly, and to learn how to manage a massive program through two hotel booking contractors, across hotels with wildly different policies, invoices, and documentation. Over the course of the program, as the audit notes, the City, through NYCEM, paid \$93.7 million dollars for hotel rooms that were crucial to saving lives and slowing the spread of the pandemic. While we cannot say with certainty how many lives were saved, there is no doubt that the program was successful in this respect.

As the audit makes clear, the audit process itself has been ongoing for years. NYCEM and the audit team have corresponded in writing and communicated by conference call. NYCEM appreciates the opportunity to respond in writing one final time and appreciates the opportunity to address the recommendations contained in the audit.

NYCEM disagrees with the findings presented in the report based on its contention that they were based on flawed methodologies, mistaken assumptions, and misinterpretations of supporting documentation. As a preliminary matter, we have several factual and methodological concerns with the substance of the audit.

First, the auditors reference various “sampled” payments throughout the audit, although the total sampled volume represents less than 6% of the program cost. The auditors stop short of projecting their conclusions regarding these samples to the entire population of payments but without stating that the sample size and selection methodology are sufficient for the findings to be projected to the entire population, the auditors thereafter do just that (Audit, pages 11, 23). This is problematic from NYCEM’s perspective as the sampled data was not selected at random but was instead derived from a population already identified by NYCEM as having different data characteristics than the full population. NYCEM wishes to be clear that any conclusions derived from this data cannot be statistically extrapolated across the full population and do not provide an accurate representation of the program.

Second, the auditors suggest that NYCEM “waived Crew’s contractual obligation to submit hotel invoices.” (Audit, page 6). As noted above, NYCEM commenced this program in the midst of a pandemic under extreme urgency and duress, with a wide range of hotels, booked in various ways and for various populations. As NYCEM quickly learned, the hotel industry does not provide uniform documentation. Therefore, for some hotels, varying types of documentation were accepted. This included folios, agreed upon statements, email correspondence, and final signed agreements by hotels and the vendor. NYCEM did accept alternative documentation for supported charges, however no waiver of Crew’s contractual obligations occurred. The contract with Crew required that Crew “audit costs and verify bills according to a mutually agreed process between the Parties,” but neither the contract nor the subsequent modification specified that only a specific invoice format would be accepted. As such, NYCEM disagrees with this characterization.

Third, NYCEM questions the validity of the auditors’ finding that there were “nearly \$1.7 million in duplicate bookings NYCEM should not have paid.” (Audit, page 6). NYCEM worked with both hotels and Hotel Engine to prevent, remove, and limit charges for potential duplicates. The auditors base their duplicate reservation findings on the names of the individuals on the reservation. This could lead to an erroneous conclusion in two ways. First, in some hotels, numerous rooms were booked in the name of one authorized point of contact, or via the same email or phone number, to ensure vulnerable populations and discharged patients would have access to the program. Consequently, whole blocks of rooms would show up with the same name but would not be duplicates. Second, New York is a city of millions of people, and the auditors’ methodology for identifying duplicates fails to account for the possibility that out of the tens of thousands of people who participated in the program, some could reasonably have had the same name. NYCEM took a number of steps throughout the program to limit the potential for duplicates. These included requiring and paying for contractors’ database upgrades to better screen for duplicates, intake process modifications enacted by vendors to prevent duplicates and fraud, concurrent invoice reconciliation and flagging of duplicate charges throughout the program, and complete reconciliation and review of all charges by NYCEM’s Review and Compliance Team. Ideally, the program would have started with these controls in place; however, given the exigency of the circumstances, NYCEM was forced to develop them with the program already under way.

Finally, NYCEM disagrees with the suggestion that NYCEM failed to provide oversight and monitoring of its contractors. To the contrary, NYCEM worked continuously with both Crew and Hotel Engine throughout the program to develop fraud controls. NYCEM created an incident tracker early in the program and a fraud unit was established. NYCEM documented fraud concerns and reported them to the City’s Department of Investigation. When issues arose with (among other things) Crew’s ability to

manage hotel data, reporting, and reconciliation, NYCEM was forced to terminate Crew's contract for cause.

Our responses to the auditors' recommendations are below.

Recommendation #1

Make every effort to obtain appropriate support for charges that are backed by summaries and other questionable documentation. In instances where appropriate support is not provided, recoup the payments along with payments made for duplicate reservations—plus associated management fees—referred to above.

As discussed above, NYCEM has made every effort to obtain appropriate support where available and to pay only reconciled and supported charges. To the extent any further recoupment is warranted, NYCEM will consult with the relevant City agencies. With respect to management fees, NYCEM terminated its prime contractor Crew for cause and has advised Crew of certain deficiencies for which NYCEM is withholding amounts claimed by Crew due to the breach and as a set off.

Recommendation #2

In future, establish written standards for monitoring vendor contracts to ensure that contract terms and conditions are fully met, risk of fraud is mitigated, and claims for payment are properly substantiated prior to making payment.

NYCEM has learned from managing this unprecedented program, and any future similar contract will contain heightened fraud controls from its inception and will more fully detail the types of documentation that will be required for payment.

Recommendation #3

Ensure that decisions clarifying contract terms and conditions (including those communicated during meetings/telephone conferences with its contractors) are recorded in writing and disseminated so that both NYCEM and its contractors have a clear understanding of what has been decided and what is expected of involved parties.

Given the pace of the pandemic and the variety of demands and limitations upon City staff in responding to it, many decisions were made on an expedited basis. Under different circumstances and for future contracts, to the extent practicable NYCEM will make an effort to memorialize all communications in writing.

NYCEM appreciates the Comptroller's role in monitoring and evaluating the City's COVID-19 Isolation Hotel contract; however, we are concerned that the report does not adequately contextualize the program or the climate of fear and uncertainty that took hold of the City in late March of 2020. As a small agency, tasked with a monumental job, NYCEM took on the hotel program and carried it through to completion, saving lives in the process. The substantiated issues identified in the audit represent a very small percentage of actual program costs and fail to adequately address the success of the program. By offering first responders and other vulnerable populations a safe place to isolate, the program was a critical tool in curbing the spread of COVID-19 and was directly responsible for saving

countless lives and helping NYC to expedite reopening and financial recovery from the first surge of COVID-19.

Nonetheless, an essential aspect of successful emergency management is the ability to look critically at the response to a given emergency. This audit process has provided us with another opportunity to learn from this program, to clarify the things that we would do differently, and to apply those lessons to our future emergency response. The audit and its recommendations do not go unheeded, and we will carry appropriate lessons forward.

Sincerely,

Zach Iscol



Commissioner





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