

# AUDIT REPORT



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

## **Audit Report on the Contract of Project Hospitality, Inc., with the Department of Homeless Services To Operate Hospitality House On Staten Island**

*ME03-161A*

**April 30, 2004**



THE CITY OF NEW YORK  
OFFICE OF THE COMPTROLLER  
1 CENTRE STREET  
NEW YORK, N.Y. 10007-2341

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WILLIAM C. THOMPSON, JR.  
COMPTROLLER

**To the Citizens of the City of New York**

Ladies and Gentlemen:

In accordance with the Comptroller's responsibilities contained in Chapter 5, § 93, of the New York City Charter, my office has examined Project Hospitality's compliance with key programmatic and financial provisions of its contract with the Department of Homeless Services (DHS) to provide temporary housing and related services at Hospitality House on Staten Island

The results of our audit, which are presented in this report, have been discussed with DHS officials, and their comments have been considered in the preparation of this report.

Audits such as this provide a means of ensuring that City resources are used effectively, efficiently, and in the best interest of the public.

I trust that this report contains information that is of interest to you. If you have any questions concerning this report, please e-mail my audit bureau at [audit@comptroller.nyc.gov](mailto:audit@comptroller.nyc.gov) or telephone my office at 212-669-3747

Very truly yours,

A handwritten signature in cursive script that reads 'William C. Thompson, Jr.'.

William C. Thompson, Jr.  
WCT/fh

Report: **ME03-161A**  
Filed: **April 30, 2004**

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

**Audit Report on the Contract of  
Project Hospitality, Inc., with the  
Department of Homeless Services  
To Operate Hospitality House  
On Staten Island**

**ME03-161A**

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**AUDIT REPORT IN BRIEF**

This audit of the Department of Homeless Services (DHS) reviewed its contract with Project Hospitality, Inc. (Project Hospitality) to provide transitional housing units and related services to homeless families at Hospitality House, a City-owned facility at 100 Central Avenue on Staten Island. DHS is responsible for providing emergency shelter and social services to homeless families in New York City. During Fiscal Year 2003, Project Hospitality, a non-profit organization, received \$2,013,352 in payments from DHS in relation to this contract.

**Audit Findings and Conclusions**

Project Hospitality complies with key provisions of its contract with DHS to provide food, shelter, counseling, childcare, and recreation services to its clients in a safe and secure environment at Hospitality House. The main focus of Project Hospitality is to place its clients in permanent housing. To achieve this goal, it assists its clients with the submission of housing applications and informs clients about available apartments. When an acceptable apartment is found, Project Hospitality expedites the lease registration with DHS. Project Hospitality also complies with its contract with respect to the terms of payment procedures at Hospitality House. The audit found one area of contract noncompliance concerning the need for the consistent presence of a certified first-aid staff member. In addition, the DHS contract with Project Hospitality does not accurately reflect current New York State regulations and judicial decrees with regard to certain performance requirements.

### **Audit Recommendations**

To address these issues, the audit makes the following recommendations:

- DHS should ensure that Project Hospitality has a staff member certified to administer basic first aid on duty at Hospitality House at all times.
- DHS should review its contracts with Project Hospitality and similar homeless shelter service providers to ensure that the contracts reflect current performance requirements.

### **DHS Response**

We submitted a draft report to DHS on April 1, 2004 with a request for comments. We received a written response from DHS on April 16, 2004. In its response, DHS officials agreed with the audit's findings and recommendations. DHS stated that "Project Hospitality has already ensured that each shift has a staff member who is certified to administer basic first aid." DHS also stated that it "agrees with and will implement the recommendation which calls for a review of provider contracts to ensure that the contracts reflect current performance requirements." The full text of the DHS response is included as an addendum to this report.

## **INTRODUCTION**

### **Background**

The Department of Homeless Services responsible for providing emergency shelter and social services to homeless families in New York City. The services are designed to help homeless families gain self-sufficiency and move from temporary to permanent housing. DHS contracted with Project Hospitality to provide transitional housing units and related services to homeless families at Hospitality House, a City-owned facility at 100 Central Avenue on Staten Island. The contract for the four-year period of July 2002 through June 2006 is valued at \$7,880,896. During our audit period (Fiscal Year 2003), Project Hospitality received \$2,013,352 in payments from DHS in relation to this contract. Hospitality House, in existence since April 1988, has a capacity to house 46 families, each headed by a female, for a total of no more than 150 people. Males over the age of 12 are not permitted to reside at Hospitality House.

Project Hospitality is a non-profit organization that, according to its mission statement, seeks to enhance the quality of life for the Staten Island community by reaching out to its members who are hungry, homeless, or otherwise in need. Project Hospitality provides a variety of services to the residents of Hospitality House. Upon arriving there, clients receive an in-depth assessment of their needs. Hospitality House then assists them in achieving independent living skills and finding permanent housing. Project Hospitality aims to provide a safe and secure facility at Hospitality House, where it supplies food, shelter, counseling, and childcare services to its clients.

### **Objective**

The objective of this audit is to determine whether Project Hospitality is in compliance with key programmatic and financial provisions of its contract with the Department of Homeless Services to provide temporary housing and related services to homeless families at Hospitality House in Staten Island. These key provisions include: permanent housing preparation services, client assessment services, childcare and recreation services, food services, security, maximum stay and discharge regulations, and terms of payment procedures.

### **Scope and Methodology**

The scope period of our audit was Fiscal Year 2003 (July 1, 2002, to June 30, 2003). Audit fieldwork was conducted from May through December 2003.

To gain an understanding of Project Hospitality's operations, we reviewed the organization's *Operational Plan of Hospitality House* and its contract with DHS. We interviewed DHS, Project Hospitality, and Hospitality House officials and conducted walkthroughs of Hospitality House. We reviewed the Project Hospitality *Finance Department Policies and Procedures Manual*, financial statements, and other financial and payroll records.

We obtained admission and discharge dates for the 117 families who resided at Hospitality House during Fiscal Year 2003. To determine whether Project Hospitality delivered

the services required by its clients to obtain permanent housing, we selected a random sample of 12 (10%) of the 117 clients. We also reviewed the housing placement files maintained by housing specialists and the service assessment files maintained by caseworkers for the clients in our sample. We determined whether Hospitality House filed timely housing applications for these clients. We also calculated clients' lengths of stay at Hospitality House. Further, we determined whether initial service plans and biweekly progress assessments were completed within the required time frames.

To determine whether Project Hospitality provided services in a safe and secure environment, we judgmentally selected the month of April 2003, since it was the most recent month for which data were available, and reviewed the timecards for the security enforcement division to see whether Project Hospitality provided security services 24 hours a day at Hospitality House. We requested records of fire drills and inspected the facility to locate fire extinguishers, fire alarms, exit doors, exit signs, and posted evacuation procedures. We obtained copies of the certifications for those employees who were trained to administer basic first aid and reviewed Hospitality House time records to determine whether at least one employee certified in first aid was on duty at all times, as required by the DHS contract.

Project Hospitality's contract with DHS requires that it provide supervised childcare and recreation to children residing at Hospitality House. To verify that these services were provided, we requested attendance records for both childcare and recreational activities for the month of April 2003 and conducted unannounced observations of these activities in August and September 2003. In addition, we reviewed the menu plans for the food program and observed food preparation and the serving of meals.

We judgmentally selected the month of April 2003, the most recent month for which data were available, to determine the validity of payments. Project Hospitality received a \$167,506 payment from DHS for the services it provided at Hospitality House in April 2003. We conducted audit tests to determine whether Project Hospitality accurately reported its expenses, paid its employees, and reported the census for per-diem payments at Hospitality House. We obtained copies of Project Hospitality's check requisitions, invoices, and cancelled checks, and determined whether the organization followed its own procedures for the authorization and payment of expenses relating to Hospitality House. We compared these expenses to the general ledger and to the monthly expense report filed with DHS. We obtained copies of the Family Census Form and Family Curfew Form and compared them to the Monthly Per-Diem Billing submitted to DHS. We obtained copies of employee time cards and payroll worksheets, registers, journals, and summaries and reviewed them for accuracy.

The results of the above samples, while not projectable, provided us with a reasonable basis to assess Project Hospitality's compliance with the audited provisions of its contract.

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 audit responsibilities of the City Comptroller 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 DHS officials during and at the conclusion of this audit. A preliminary draft report was sent to DHS officials on March 18, 2004, and was discussed at an exit conference held on March 29, 2004. On April 1, 2004, we submitted a draft report to DHS officials with a request for comments. In its April 16, 2004 response, DHS officials agreed with the audit's findings and recommendations. The full text of the DHS response is included as an addendum to this report.

## **FINDINGS AND RECOMMENDATIONS**

Project Hospitality is generally in compliance with the key provisions of its contract with the Department of Homeless Services to provide food, shelter, counseling, childcare, and recreation services to its clients in a safe and secure environment at Hospitality House. Project Hospitality also complies with its contract with respect to the terms of payment procedures at Hospitality House. However, we did find one area of contract noncompliance concerning the need for the consistent presence of a certified first-aid staff member. In addition, the DHS contract with Project Hospitality does not accurately reflect certain New York State regulations and judicial decrees.

### **Project Hospitality Complies with Key Provisions of Its Contract with DHS**

The main focus of Project Hospitality is to place its clients in permanent housing. To achieve this goal, it assists its clients with the submission of housing applications. Project Hospitality's housing specialists inform the clients about available apartments. The clients generally schedule visits to view the apartments on their own. However, when necessary, the housing specialist will schedule the visit for the client and accompany the client to the apartment. When an acceptable apartment is found, the housing specialist expedites the lease registration with DHS. Based on our review of the housing placement files for 12 (10%) of the 117 clients in Fiscal Year 2003, we concluded that Project Hospitality submits housing applications within 90 days of a client's admission to Hospitality House, in accordance with its own and DHS procedures. While the maximum stay and discharge regulations in the contract are no longer valid, the housing placement files for these 12 clients showed that, on average, Hospitality House placed its clients in permanent housing within seven months of their arrival.

When a family arrives at Hospitality House, Project Hospitality evaluates the family's needs and develops a written service plan designed to help the family obtain and remain in permanent housing. Clients then meet with a caseworker at Hospitality House every two weeks as part of the continuing assessment of their progress and needs. Project Hospitality offers a variety of workshops designed to enhance the clients' ability to live independently in permanent housing. Based on our review of service assessment files for the 12 clients in our sample, we concluded that Project Hospitality fulfilled the assessment and housing preparation provisions of its contract by developing initial service plans and meeting with clients regularly to reevaluate their needs.

Based on our physical observation of childcare and recreational activities provided at Hospitality House during August and September 2003, we determined that Project Hospitality provided supervised day care and recreational activities for the children of its clients at Hospitality House. During the same time period, we also observed the kitchen facilities at Hospitality House and found that Project Hospitality provided three meals a day for its clients at Hospitality House according to a seasonal menu plan that was posted in the cafeteria.

Project Hospitality maintained a safe and secure environment at its Hospitality House facility. Based on our review of time records and fire drill reports, we determined that security guards had been on duty 24 hours a day, seven days a week, and that fire drills were conducted regularly. Furthermore, in August and September 2003, we conducted fire safety observations at Hospitality House and found that it had two working fire extinguishers and two fire alarm pull stations on every floor. We found that exit doors were clearly marked and also observed that evacuation procedures and exit signs were posted throughout the facility.

Project Hospitality receives monthly payments from DHS for its operations at Hospitality House based on its census (occupancy) rate. It submits a Monthly Per-Diem Billing report to DHS with a request for payment. Our review found that the April 2003 Monthly Per-Diem Billing report agreed with the Family Census and Family Curfew Forms, and that Project Hospitality accurately reported its expenses to DHS. Checks were issued based on properly authorized check requisitions. The check requisitions for the month of April 2003 agreed with the corresponding invoices, and the expenditures were properly recorded and reported on the expenditure report submitted to DHS. In addition, each check had two signatures as required by the Project Hospitality *Finance Department Policies and Procedures Manual*.

Further, our audit determined that Project Hospitality accurately reported all time worked and leave taken by Hospitality House employees for the period March 31, 2003, through April 27, 2003. The employee time cards and the payroll worksheets, registers, journals and summaries were in agreement.

### **An Employee Certified to Administer Basic First Aid Is Not Always on Duty at Hospitality House**

Project Hospitality did not ensure that there was a Hospitality House employee on duty on every shift who is trained and certified to administer basic first aid. The contract states that “the Contractor shall ensure that at least one staff on each shift at the facility is trained and certified to administer basic first aid.”

We reviewed Hospitality House employee time cards for the week of April 21–27, 2003. Our review was limited to only those employees who had certificates of training in first aid on file. The time cards showed that these employees worked one of three daily shifts, 8:00 a.m. to 4:00 p.m., 4:00 p.m., to 12:00 a.m., and 12:00 a.m. to 8:00 a.m. We found that during one of the shifts worked that week, there was no employee present who was trained and certified to administer basic first aid. Specifically, on April 26, 2003, there was no staff member on the 4:00 p.m. to 12:00 a.m. shift who was trained and certified to administer basic first aid.

### **Recommendation**

1. DHS should ensure that Project Hospitality has a staff member certified to administer basic first aid on duty at Hospitality House at all times.

**DHS Response:** “We have implemented the above recommendation relating to each shift having a staff member certified in basic first aid.”

## **DHS Contract Does Not Reflect Current Judicial Consent Decrees and State Regulations**

During the course of our audit, we encountered two instances in which DHS included clauses in its contract with Project Hospitality that had been superseded by judicial decree or State regulations. With regard to the contract clause that states that “the maximum length of stay for residents shall be six (6) months unless prior written approval has been granted by the Department,” our review of files for clients in our sample who resided at Hospitality House for longer than six months showed that written approval was not obtained. When we questioned DHS officials, they maintained that they did not enforce this clause because a series of judicial consent decrees, beginning in 1981,<sup>1</sup> required New York City to house all homeless families that need housing. In fact, DHS continues to provide temporary housing to homeless families until these families obtain permanent housing.

In addition, DHS has a clause in its contract with Project Hospitality that states that “within (5) working days of admission to the Facility, the resident family and staff of the contractor shall develop and mutually agree to a written services plan designed to help the resident family to achieve permanent housing arrangements.” However, our review of initial service plans prepared for the clients in our sample showed that two of the 12 service plans were not completed within this time period. Both Project Hospitality and DHS officials told us that they follow Title 18, Regulation 900.3(b) (3) (II), issued by New York State Office of Temporary Disability Assistance regarding shelter for families, which states that the independent living plan (i.e., the service plan) must be completed within 10 days of a family’s admission to the facility. Our review of these initial service plans showed that Project Hospitality completed the service plans within 10 days as required by State regulations.

It is important that DHS contracts with service providers reflect current performance standards. Conflicting and ambiguous standards can cause confusion for contractor and agency employees.

### **Recommendation**

2. DHS should review its contracts with Project Hospitality and similar homeless shelter service providers to ensure that the contracts reflect current performance requirements.

**DHS Response:** “The contract clause that states that ‘the maximum length of stay for residents shall be six (6) months unless prior written approval has been granted by the Department,’ shall be amended by deleting the requirement that the contractor obtain the Department’s written approval if a resident’s stay exceeds six months. The requirement that a resident’s stay not exceed six months shall remain in the agreement as a standard for assessing the contractor’s performance. The contract shall be amended to reflect the New York State Office of Temporary Disability and Assistance’s regulation requiring the family’s service plan to be completed within ten days of the family’s admission to the facility.”

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<sup>1</sup> Callahan v Carey (Supreme Court, New York County, Index No. 42582/79)



NYC Department of Homeless Services

Linda Gibbs  
Commissioner

Steve Pock  
Deputy Commissioner  
Fiscal Operations

April 16, 2004

Greg Brooks  
Deputy Comptroller  
Policy, Audits, Accountancy & Contracts  
Office of the Comptroller  
1 Centre Street, Room 530  
New York, New York 10007

Dear Mr. Brooks:

The Department of Homeless Services (DHS) is pleased that the audit of *"DHS' Contract with Project Hospitality, Inc to Operate Hospitality House on Staten Island"* confirms that Project Hospitality "complies with key provisions of its contract with DHS to provide food, shelter, counseling, childcare and recreation services to its clients in a safe and secure environment at Hospitality House".

The audit report has two recommendations. Project Hospitality has already ensured that each shift has a staff member who is certified to administer basic first aid. DHS agrees with and will implement the recommendation which calls for a review of provider contracts to ensure that the contracts reflect current performance requirements.

Sincerely,

  
Michael King  
Audit Director

Attachments

- |     |                  |              |                   |                        |
|-----|------------------|--------------|-------------------|------------------------|
| cc: | Linda Gibbs      | Roger Newman | Julia Davis Moten | Robert Bernstein       |
|     | Rev. Terry Troia | Jim Anderson | Trevor Jardine    | Thomas Thollayirakuzhi |
|     | Steve Pock       | Angeles Pai  | Steve Bergman     |                        |



NEW YORK CITY DEPARTMENT OF HOMELESS SERVICES

Response Date: 4/12/04

AUDIT TITLE: Report on the Contract of Project Hospitality, Inc., with the Department of Homeless Services To Operate Hospitality House On Staten Island  
AUDIT NUMBER: ME03-161A

AUDITING AGENCY: NYC Comptroller's Office

DRAFT REPORT DATE: April 1, 2004

Audit Recommendation

Recommendation # 1: DHS should ensure that Project Hospitality has a staff member certified to administer basic first aid on duty at Hospitality House at all times.

Category of Response:

A - Implemented

Response To Recommendation

We have implemented the above recommendation relating to each shift having a staff member certified in basic first aid.

Implementation Date

4/12/04

RESPONSIBILITY CENTER

Signature:

*Rosalyn Cassar, CSW-R*  
*Rosalyn Cassar Senior Deputy Executive Director*

Print Name:

Print Title:

4/12/04  
Date

- |                                     |
|-------------------------------------|
| <b>Categories of Responses</b>      |
| A- Implemented                      |
| B- Partially Implemented            |
| C- Implementation is pending        |
| D- Agrees and will not implement    |
| E- Disagrees and will not implement |

2004 APR 12 01:00:00

NEW YORK CITY DEPARTMENT OF HOMELESS SERVICES

Page 1 of 1

Response Date: 04/13/04

AUDIT TITLE: Report on the Contract of Project Hospitality, Inc., with the Department of Homeless Services To Operate Hospitality House On Staten Island  
AUDIT NUMBER: ME03-161A

AUDITING AGENCY: NYC Comptroller's Office

DRAFT REPORT DATE: April 1, 2004

DIVISION: Legal

Audit Recommendation

Recommendation # 2: DHS should review its contracts with Project Hospitality and similar homeless shelter service providers to ensure that the contracts reflect current performance requirements.

Category of Response:

C - Implementation is pending

Response To Recommendation

The contract clause that states that "the maximum length of stay for residents shall be six (6) months unless prior written approval has been granted by the Department," shall be amended by deleting the requirement that the contractor obtain the Department's written approval if a resident's stay exceeds six months.

The requirement that a resident's stay not exceed six month shall remain in the agreement as a standard for assessing the contractor's performance.

The contract shall be amended to reflect the New York State Office of Temporary Disability and Assistance's regulation requiring the family's service plan to be completed within ten days of the family's admission to the facility.

Implementation Date  
July 1, 2004

RESPONSIBILITY CENTER

Signature:   
Steven Borghman  
Print Name:

04/13/04  
Date

Print Title: Attorney at Law (Level III)