

CITY OF NEW YORK  
**OFFICE OF THE  
COMPTROLLER**  
BRAD LANDER

BUREAU OF AUDIT

April 29, 2022

**By Electronic Delivery**

Commissioner Gary Jenkins  
NYC Department of Social Services  
150 Greenwich Street, 42<sup>nd</sup> Floor  
New York, NY 10007

**Re: Final Audit Letter Report on the Department of Homeless Services' Controls over Its Hotel Lodging Contract with the Hotel Association of New York City, Inc. (Audit Number MG21-060AL)**

Dear Commissioner Jenkins:

This Final Audit Letter Report concerns the Department of Homeless Services' (DHS') controls over its contract with the Hotel Association of New York City, Inc. (HANYC) to help facilitate temporary housing for persons impacted by COVID-19. The objective of this audit was to determine whether DHS had adequate controls over: (1) the awarding of the contract to HANYC and (2) the approval and processing of payments to HANYC and participating hotels.

**Background**

DHS, in collaboration with other public agencies and nonprofit entities, works to prevent homelessness before it occurs, reduce street homelessness, and assist New Yorkers in transitioning from shelter into permanent housing. DHS is also mandated to provide temporary emergency shelter in a safe and respectful environment to those experiencing homelessness.

In response to the social distance recommendations of the Centers for Disease Control and Prevention (CDC) for the prevention of COVID-19 infections, and in accordance with Emergency Executive Order 101 guidelines issued by the Mayor's Office of Contract Services (MOCS) regarding COVID-19 emergency contract procurement and processing, DHS entered into an emergency contract with HANYC to facilitate booking, tracking, reporting, and invoicing for hotels servicing the temporary housing of both symptomatic and asymptomatic individuals impacted by the coronavirus pandemic.<sup>1</sup>

---

<sup>1</sup> DHS determined that compliance with the CDC guidelines was not possible in existing congregate shelters, and approximately 10,000 clients needed to be relocated from congregate shelters to commercial hotel rooms. As a result, DHS' Agency Chief Contracting Officer (ACCO) and Housing Emergency Referral Operations (HERO) unit procured emergency housing in the form of hotel rooms for homeless individuals who had contracted COVID-19 and were suffering from the effects of the virus, and those who needed to maintain social distancing during their shelter stay, regardless of COVID status.

DHS entered into a contractual agreement with HANYC on April 15, 2020, and the contract remained in effect through October 12, 2020. According to the terms of the contract, HANYC was responsible for identifying available hotel locations that could accommodate the provider, staff, services, security, and capacity needs of shelters. In addition, HANYC was to act as a third-party administrator to collect information for each hotel, secure signed hotel agreements, manage invoicing for lodging, laundry, and damages for the contracted hotels, and make payments to the hotels for their services per the hotel agreements. In turn, DHS' main responsibility was to review the invoices that HANYC prepared, as well as the original hotel invoices, and approve the payments. Once approved, DHS paid HANYC directly, and in turn HANYC paid the hotels for their services and any damage claims approved by DHS.

On March 20, 2020, the Governor of New York issued Executive Order 202.8, directing employees at non-essential businesses to work from home. In response to that order, DHS employees began working from home as of March 23, 2020, and they administered the contract while working from home. According to DHS officials, this was an unusual experience and took staff some time to get acclimated.

DHS officials further stated that the demand for services was variable and not entirely predictable. Therefore, to ensure that the agency was able to meet its legal mandate to provide shelter and to accommodate all changes in real time, the agency was required, at all times, to maintain some form of vacancy capacity within its system. As a result, regardless of occupancy at the hotels, DHS paid the hotels' monthly lodging bills in accordance with the rates agreed upon in the hotel agreements at 100 percent capacity.

DHS' contract with HANYC had a total value of \$78,100,000—including a \$20,000 monthly administrative fee for HANYC—and utilized up to 25 hotels. As the need for additional hotels increased, DHS amended the contract and extended it twice.<sup>2</sup> The final extension of the contract was through December 31, 2021, and included a contract amount of \$617,337,191—which includes an increased monthly administrative fee of \$60,000 to HANYC—for up to 80 hotels.<sup>3</sup>

According to data provided by DHS, as of October 1, 2020, DHS' HERO, Capacity Planning and Development, and Program units, in collaboration with DHS' Social Service providers, moved approximately 8,800 clients from the shelters into the hotels. According to DHS, as of March 31, 2021, the occupancy rate was 93 percent.<sup>4</sup>

### **Audit Findings**

The auditors found evidence indicating that DHS followed MOCS' guidance for COVID-19 related emergency procurements in awarding the contract to HANYC. Specifically, they saw evidence that DHS:

- informed MOCS and the Law Department of its intent to initiate the contract;
- obtained approval from the Law Department;
- conducted a review of the vendor's past performance to ascertain the vendor's responsibility;

---

<sup>2</sup> The amended contract allowed for up to 80 hotels. As of July 19, 2021, DHS contracted with 76 hotels.

<sup>3</sup> Although the dollar amount for the contract increased, the amount by which the contract increased was less on a monthly average than the original contract amount for the extended time period. The administrative fee to HANYC is the lesser of \$1,000 per month per hotel, or a total of \$60,000 monthly.

<sup>4</sup> Social service providers are contracted non-profit groups that serve the needs of homeless individuals through direct services.

- prepared an agency head determination that the contract was necessary to respond to the COVID-19 emergency;
- prepared a Financial Management System (FMS) Advice of Award; and
- published the notice of contract award in the City Record Online.

The auditors' review of 434 lodging invoices, totaling \$212,551,771, submitted during the period of April 2020 through November 2020, revealed that the requests for lodging payments had the proper supporting documents and were paid in a timely manner. In addition, they found that HANYC submitted the monthly invoices to DHS within one week of receiving them from the hotels, and that DHS generally paid HANYC within one month after receipt of those invoices.

Additionally, their review of the payments that DHS approved relating to damage claims submitted by the hotels revealed that, with a few exceptions, the payments were adequately supported. According to the terms of the hotel agreements, "The City will promptly reimburse the Hotel for the cost of repairing any extraordinary damages caused by misconduct or negligence caused by the Guest." Based on the contract terms, when submitting a claim for damages, hotels must include an incident report, along with the following: (1) the date the damage was discovered; (2) the location of room(s) affected by the damage; (3) a description of damage, including photographic evidence; (4) affirmation from the hotel and provider acknowledging the damage and its cause; and (5) an itemized estimate of repairs, along with any additional support that validates the claim. As of November 16, 2021, DHS provided the auditors with 409 claims from 14 hotels requesting a total of \$388,784 for damages purportedly caused by DHS clients.<sup>5</sup> Of this amount, DHS approved payments for 319 (78 percent) claims for all 14 hotels, totaling \$255,573 (66 percent) of the total claimed amount, as itemized below:

- 313 (98 percent) approved claims totaling \$252,901 (99 percent) were fully supported as required.
- 6 (2 percent) approved claims from three hotels totaling \$2,672 (1 percent) were entirely unsupported (e.g., lacked evidence of the damages claimed). Without such evidence, DHS is hindered in ensuring that the monies paid were for actual damages caused by DHS clients.

The auditors also found that DHS did not always ensure that its mechanism for keeping track of payments—the invoice tracking spreadsheet (tracker)—accurately reflected the contract and payment information associated with the hotels. According to DHS officials, the tracker was designed to organize and coordinate the payments between HANYC and DHS, as well as to "flag and indicate miscalculations and missing submissions." Nevertheless, the auditors found errors and inconsistencies in all the trackers that they reviewed, such as the following:<sup>6</sup>

---

<sup>5</sup> The auditors cannot independently verify that they received all the damage claims that had been submitted to DHS as of November 16, 2021. At the time of the auditors' review, DHS provided damage claims for only 14 of the 76 hotels that were in contract with DHS. The auditors subsequently learned that although the contract had ended, hotels could still submit damage claims.

<sup>6</sup> In total, DHS had submitted four different trackers, each with new sets of errors. After the auditors pointed out the discrepancies, DHS resubmitted updated trackers with the initial errors corrected but which still contained other discrepancies. The auditors did not report on every error or discrepancy found on the trackers since they had already determined that the trackers could not be relied upon.

- Invoice numbers recorded in the tracker did not match the numbers on the invoices submitted by HANYC. For example:
  - a) For the period April through May 2020, of the 56 invoice numbers recorded in the tracker, 15 (27 percent) did not match the numbers on the invoices.
  - b) For the month of June 2020, 49 (77 percent) of the 64 invoice numbers recorded did not reconcile with the numbers on the invoices submitted by HANYC.
- Although each hotel had its own contract number, five (seven percent) of the 68 contract numbers on the tracker were each affiliated with two or more hotels, with one contract number being affiliated with four hotels.
- For the period April through November 2020, the tracker indicated that DHS had made payments to 12 hotels for damages; however, the auditors later learned that DHS had erroneously recorded payments for four of those hotels that actually did not receive any payments. DHS admitted that it recorded the payments in error.

The above-noted errors bring into question the degree to which staff reviewed the tracker to ensure that it was accurate. Without a reliable system for tracking payments of invoices, DHS is at increased risk that errors may occur and remain undetected.

### **Recommendation**

1. DHS should continue to ensure that transactions for all future contracts are promptly recorded, reviewed, and reconciled prior to approving and processing payments to vendors. This includes a timely review of invoices and ensuring that all supporting evidence is included with requests for payment for lodging and damages.

***DHS Response:*** “Agree. As the auditors acknowledged, DHS followed emergency procurement guidance, mandated appropriate backup, and paid invoices in a timely way. All contracts will be paid through PASSPort shortly.”

### **Scope and Methodology**

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require 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 based on our audit objective. 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 covers the period from April 15, 2020 through November 16, 2021. For criteria governing the awarding of COVID-19 emergency contracts, as well as the procedures, tools, and mechanisms used to monitor the HANYC contract, the auditors obtained and reviewed the following from the Office of the Mayor, the Mayor’s Office of Contract Services (MOCS), and DHS’ Agency Chief Contracting Officer (ACCO):

- Emergency Executive Order No. 101, Issued March 17, 2020 – The New York State Governor declared a state disaster emergency for the State of New York to address the threat that COVID-19 poses to the health and welfare of New York residents and visitors;
- New York City Charter – Chapter 13 Procurement;
- Title 9 of the Rules of the City of New York (PPB Rules);

- NYC Administrative Code, Title 6 – Contracts, Purchases & Franchises;
- NYC Charter – Chapter 16 – Heads of Agencies, July 2004;
- NYC Charter – Chapter 24 – A Department of Homeless Services;
- The Mayor’s Office of Contracts (MOCS) guidelines in response to COVID-19, which include the following: Agency Head Determination, with a written determination for the emergency contract and all related documents; Vendor Responsibility Determination; Final Executed Contract; Law Department Approval; FMS Advice of Award including the “Contract Purpose,” and Advertisement in the City Record;
- DHS’ Procedure No: CMU04.002, Maintaining Proof of Insurance for Contracts;
- DHS-PB-2020-015 Invoicing Process for the Hotel Association of New York City; (HANYC) COVID-19 Hotel Program; and
- DHS’ contracts with HANYC and with a randomly selected sample of 10 hotels.

To obtain an understanding of the responsibilities for overseeing the contract with HANYC, the auditors interviewed DHS’ ACCO and the Deputy Commissioners of (1) HERO and (2) Adult Services. In addition, to obtain an understanding of HANYC’s responsibilities pertaining to the emergency hotel contract with DHS, they interviewed HANYC’s Chief Financial Officer and its Operations Manager.

To assess the accuracy and reliability of the data that DHS used to track and monitor its payments made to HANYC and the hotels, the auditors reviewed the HANYC invoice tracker listing of the 68 hotels affiliated with the initial contract and compared the data to the lodging invoices for the months of April through October 2020. They also verified the accuracy of the dollar amount in the monthly hotel lodging invoices submitted by the hotels.

To determine whether the hotels were utilized to the maximum capacity and, if not, whether the number of contracts could be reduced, the auditors sorted the hotels based on utilization, obtained the listing of clients assigned to each hotel, and calculated the number of rooms utilized per month based on client room assignments.

To determine whether damage claims submitted by the hotels were processed in accordance with DHS’ internal procedures, they reviewed the supporting documentation for claims, and the claims for which DHS approved payments from the start of the contract through to November 2021.

To determine whether payments made to HANYC for services provided by the hotels were accurate and supported with invoices from HANYC as well as the hotels, the auditors retrieved and reviewed a listing of payments made to HANYC according to an FMS payment listing and reviewed the supporting evidence.

The results of the above tests, while not statistically projected to their respective populations, provided a reasonable basis for the auditors to assess whether DHS management has adequate controls to ensure that (1) the awarding of the contract to HANYC adhered to MOCS guidelines and (2) the approval and processing of payments to HANYC and participating hotels were appropriate.

Commissioner Jenkins

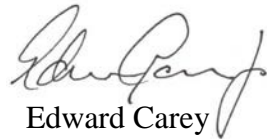
April 29, 2022

Page 6 of 6

The matters covered in this audit letter report were discussed with DHS officials during and at the conclusion of this audit. A preliminary audit letter report was sent to DHS on February 16, 2022, and discussed with DHS officials at an exit conference held on March 2, 2022. On April 4, 2022, we submitted a draft report to DHS, with a request for comments. We received a written response from DHS on April 15, 2022. In its response, DHS agreed with the audit's findings and recommendation, stating that "the agency remains committed to its mission of serving New York City's most vulnerable population in the most efficient and effective manner. . . . We would like to express our sincere appreciation for the efforts that your office has invested in this audit to assist us in achieving our goals."

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

Sincerely,



Edward Carey  
Assistant Comptroller  
Management Audit

Cc: Christine Maloney, Deputy Commissioner of the Office of Audit & Quality Assurance Services  
Anjella Babayeva, Assistant Deputy Commissioner for Audit Services  
Daniel Steinberg, Director, Mayor's Office of Operations  
Florim Ardolli, Director of Audits, Mayor's Office of Operations



**Department of  
Social Services**

Human Resources  
Administration

Department of  
Homeless Services

**DSS Accountability Office**

**Office of Audit and Quality  
Assurance**

**Gary P. Jenkins**  
Commissioner

April 15, 2022

**Jill Berry**  
DSS First Deputy  
Commissioner

**Bedros Leon Boodanian**  
Chief Accountability Officer

**Christine Maloney**  
Deputy Commissioner

**150 Greenwich Street  
41st Floor  
New York, NY 10007**

**maloneyc@dss.nyc.gov**

Mr. Edward Carey  
Office of the City Comptroller  
1 Center Street, Room 1100  
New York, NY 10007

**Re: Agency Response to the Draft Audit Letter Report on the Department of Homeless Services' Controls over Its Hotel Lodging Contract with the Hotel Association of New York City, Inc. MG21-060AL**

Dear Mr. Carey,

We have received the draft letter report for the New York City Comptroller (MG21-060AL). Please find enclosed our agency response in the form of a corrective action plan which identifies the actions already taken, and that will be taken in accordance with the plan to address the recommendation noted in the report.

The agency remains committed to its mission of serving New York City's most vulnerable population in the most efficient and effective manner, while adhering to all applicable rules, regulations, and laws by which we are bound. We would like to express our sincere appreciation for the efforts that your office has invested in this audit to assist us in achieving our goals.

In regard to the unsupported expenses noted in the report, DHS has alerted HANYC and will incorporate a credit for the unsupported claims in the close out process with the hotels.

We are confident that our progress and our response to this audit demonstrate the agency's commitment to continually improving our operations. Should you have any questions regarding the enclosed, please contact Victoria Arzu, Assistant Director of the DSS Bureau of Audit Coordination at 929-221-7067.

Thank you for your consideration.

Yours sincerely,

*Christine Maloney*

Christine Maloney  
Deputy Commissioner, Office of Audit & Quality Assurance Services

Enclosures



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

**Audit Name: Draft Audit Letter Report on DHS' Controls over its Hotel Lodging Contract with Hotel Association of New York, Inc.**  
**Audit Number: MG21-060AL**

**Date: April 15, 2022**

<b>Auditor's Recommendations</b>	<b>Agency Response</b>	<b>Responsible Unit</b>	<b>Agency Corrective Action</b>	<b>Target Date</b>
<p>Recommendation 1:   DHS should continue to ensure that transactions for all future contracts are promptly recorded, reviewed, and reconciled prior to approving and processing payments to vendors. This includes a timely review of invoices and ensuring that all supporting evidence is included with requests for payment for lodging and damages.</p>	<p><b>Agree</b>   As the auditors acknowledged, DHS followed emergency procurement guidance, mandated appropriate backup, and paid invoices in a timely way.   All contracts will be paid through PASSPort shortly.</p>	<p>DHS/HERO</p>	<p>DHS will continue to train staff and institute protocols that ensure the agency is compliant with all rules.</p>	<p><b>Ongoing</b></p>