

AUDIT REPORT

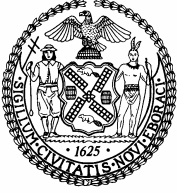


CITY OF NEW YORK
OFFICE OF THE COMPTROLLER
BUREAU OF MANAGEMENT AUDIT
WILLIAM C. THOMPSON, JR., COMPTROLLER

Audit Report on the Department of Homeless Services Administration Of Its Billing System and Miscellaneous Expense Accounts

ME07-073A

June 29, 2007



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

WILLIAM C. THOMPSON, JR.
COMPTROLLER

To the Citizens of the City of New York

Ladies and Gentlemen:

In accordance with the responsibilities of the Comptroller contained in Chapter 5, § 93, of the New York City Charter, my office has audited the administration of the Department of Homeless Services (DHS) Billing System account and Miscellaneous Expense Account.

DHS is 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. Audits such as this provide a means of ensuring that City funds are managed appropriately, efficiently and in full compliance with established guidelines.

The results of our audit, which are presented in this report, have been discussed with officials of DHS, and their comments have been considered in preparing this report. Their complete written response is attached to this report.

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 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/ec

Report: ME07-073A
Filed: June 29, 2007

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

**Audit Report on the Department of Homeless
Services Administration of Its Billing System and
Miscellaneous Expense Accounts**

ME07-073A

AUDIT REPORT IN BRIEF

This audit determined whether the Department of Homeless Services (DHS) adequately administered its Billing System account and Miscellaneous Expense Account (MEA). DHS is 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. Homeless shelters bill DHS to recover the cost incurred in providing these services.

During Fiscal Year 2006, DHS maintained three active bank accounts, including the Billing System account, the MEA account, and an Imprest Fund bank account. The Billing System account is the largest DHS account and is used to pay per diem homeless shelter providers through electronic funds transfers. The total amount paid to the providers through this account during Fiscal Year 2006 was \$120,043,627. The MEA is a bank account that is used to replenish imprest funds that were established for shelters that are directly operated by DHS. Fiscal Year 2006 MEA bank account payments amounted to \$977,453. A separate Imprest Fund bank account that is used to reimburse DHS employees for small purchases they make on behalf of DHS expended \$73,555 in Fiscal Year 2006.

There are three types of family and adult shelter providers: contractual providers, non-contractual providers, and shelters directly operated by DHS. The contractual providers are paid through the Citywide Financial Management System (FMS). Non-contractual providers are paid through the Billing System bank account. DHS uses the Client Tracking System (CTS), the Shelter Care Information Management System (SCIMS), and the Housing Emergency Referral Operation (HERO) system to record and track the services provided to homeless clients.

Audit Findings and Conclusions

DHS has adequate controls in terms of deposits in and withdrawals from the Billing System bank account and the MEA account. DHS also has established accounting systems to record, track, and store transactions made through its Billing System bank account, and the DHS

Billing unit, which processes per diem family provider payments, compares shelter invoices to homeless family records stored in CTS prior to initiating payments through this bank account.

However, DHS needs to improve the controls over the administration of its Billing System and MEA accounts. The payment process leading up to the withdrawals exhibited several weaknesses. The deficiencies include a lack of segregation of duties in the Billing unit; a lack of reconciliation of the electronic transfer of funds from the Billing System bank account to the Billing unit's authorized payments; a failure to properly process recoupments; a lack of controls over the processing of payments to the one per diem adult provider; a lack of controls over disbursements made from the MEA account; and a failure to determine which entities require the issuance of 1099-MISC forms for income tax purposes.

Audit Recommendations

To address these issues, the audit recommends, among other things, that DHS:

- Ensure that the Director of the Billing unit approves the final payment file to be sent to the bank account custodian for the electronic transfer of funds to providers.
- Intensify its efforts to enter into contracts with its per diem providers.
- Establish a process to ensure that all electronic transfers of funds to per diem providers match the amounts authorized by the Director of the Billing unit.
- Establish procedures and computer controls to ensure the proper processing of recoupments.
- Ensure that the determination of overpayments is based on actual rather than allowable expenses and recalculate the closeout statement for Fiscal Year 2006.
- Ensure that its imprest fund Custodian Directory is regularly updated to reflect changes in authorized personnel.
- Report its payments to 1099-reportable per diem providers in a format acceptable to the Financial Information Services Agency (FISA).

Agency Response

In its response, DHS generally agreed with the audit's findings and recommendations.

INTRODUCTION

Background

The Department of Homeless Services is 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. Homeless shelters bill DHS to recover the cost incurred in providing these services.

During Fiscal Year 2006, DHS maintained three active bank accounts, including the Billing System account, the DHS Miscellaneous Expense Account, and an Imprest Fund bank account.

The Billing System account is the largest DHS account and is used to pay per diem homeless shelter providers through electronic funds transfers. The Department of Finance approved the establishment of this account in December 1997. This bank account is a zero-balance account¹ that is funded through the Department of Finance's Treasury Pool Account, which serves many City agencies. Funds from the Treasury Pool Account are credited to the Billing System bank account to cover the cost of the electronic transfer of funds to the providers. The total amount paid to these providers through this account during Fiscal Year 2006 was \$120,043,627. The providers are non-contractual vendors that are paid for their services on a per diem basis through this account.

There are three types of family and adult shelter providers: contractual providers, non-contractual providers, and shelters directly operated by DHS. The contractual providers are paid through the Citywide Financial Management System. Non-contractual providers are paid through the Billing System bank account.

According to records provided to us by DHS officials, there are 99 family shelter providers that are paid through the Billing System account. Of these 99 providers, 97 are per diem providers and two are both per diem and contractual providers. Contract payments to these two providers are made through FMS. The 99 family shelter providers are legally represented by 76 parent organizations. DHS also pays one adult shelter on a per diem basis.

DHS uses the Client Tracking System, the Shelter Care Information Management System, and the Housing Emergency Referral Operation system to record and track the services provided to homeless clients. CTS maintains the lodging history of families that are placed in the shelter system. Its purpose is to collect and store a family's personal information, eligibility, and placement history. CTS is updated through HERO, which operates 24 hours a day, seven days a week. Family shelters are required to accept referrals only through HERO. The per diem family shelter providers submit their invoices to the DHS Billing unit for reconciliation against CTS records. SCIMS provides information on the lengths of adult client stays at shelters, client movements from one shelter to another, and any entrants/exits from the shelter system. SCIMS

¹ A checking account in which a balance of zero is maintained by depositing funds only in amounts large enough to cover disbursements.

is used in the processing of payments for clients served by the St. James Shelter, the only per diem adult shelter.

The DHS Miscellaneous Expense Account is a bank account that is used to replenish imprest funds that were established for shelters that are directly operated by DHS. Fiscal Year 2006 MEA bank account payments amounted to \$977,453. These imprest funds pay for small shelter-related purchases. They also support special events for clients and team building and skills enhancement activities for DHS staff working at those shelters.

A separate Imprest Fund bank account that is used to reimburse DHS employees for small purchases they make on behalf of DHS expended \$73,555 in Fiscal Year 2006.

To fund these accounts, DHS uses miscellaneous vouchers payable directly to the agency. City agencies may use different types of payment vouchers to effect payment. Many of these result in payments that are made directly to third-party vendors. In Fiscal Year 2006, DHS payment vouchers (all types) totaled about \$558 million. Of this amount, \$117 million (approximately 21 percent) was in the form of miscellaneous vouchers processed through FMS and payable to DHS rather than to a third-party vendor. These miscellaneous vouchers are deposited in the three bank accounts to support purchases made by DHS. Such purchases are made outside of FMS, the City system that is generally used to pay vendors.

Objective

To determine whether DHS adequately administered its Billing System and MEA accounts.

Scope and Methodology

The scope period of the audit was Fiscal Year 2006 (July 1, 2005 through June 30, 2006). The audit primarily focused on the Billing System bank account. Limited audit testing was also done on the MEA bank account.

To gain an understanding of the DHS administration of its bank accounts, we conducted walkthroughs and observations of several DHS units and interviewed DHS officials and personnel involved with administering payments through these bank accounts. We interviewed the DHS custodians of each bank account, as well as officials and personnel from DHS's Billing unit, Office of Information Technology (OIT), Finance unit, Revenue unit, and Vacancy Control unit. In addition, a Department of Finance official was interviewed on the operation of the Treasury Pool Account.

DHS manuals entitled *Family Services Billing Unit*, the *Guidelines and Procedures For Directly Operated Family and Adult Shelters*, and the *Sub-Imprest Fund Procedures Manual*, and Comptroller's Directives #1 (Agency Evaluation of Internal Controls), #3 (Administration of Imprest Funds), #11 (Cash Accountability and Controls), and #24 (Agency Purchasing

Procedures and Controls) were reviewed to gain an understanding of relevant policies, procedures, and regulations governing the management of these bank accounts and were used as criteria to assess the DHS administering of payments through its bank accounts.

To determine whether DHS has adequate controls over deposits and disbursements from the Billing System bank account, we analyzed the Department of Finance's Cash Management Reports, as well as DHS disbursement journals, electronic funds transfer data, CTS and SCIMS reports, and other documentation relevant to the administration of this account. To determine whether the electronic funds transfers made through the Billing System bank account were properly reviewed, approved and reconciled, we analyzed transactions made through the Billing System bank account during Fiscal Year 2006. We reviewed two payment processes, one for the 99 per diem family shelters and the other for the one per diem adult shelter.

Bank statements and disbursement journals for the MEA bank account were reviewed to determine whether DHS had adequate controls over the deposits and disbursements made through this account. We also determined whether checks issued from the MEA account were made to shelter imprest fund custodians listed in the DHS Custodian Directory by reviewing disbursements made during the randomly selected month of September 2005.

The federal Internal Revenue Service (IRS) requires that entities report to the IRS on 1099 forms certain payments made for services rendered. New York City generally administers this requirement through FMS. DHS assumes additional 1099 responsibilities by processing payments outside of FMS. These responsibilities include identifying which of its providers are 1099-reportable entities and reporting information on its payments to these entities to the City Financial Information Services Agency, which is the agency responsible for issuing 1099 forms. We determined whether DHS tracked and reported to the Financial Information Services Agency all 1099-reportable payments to its per diem providers that were paid through the Billing System bank account rather than through FMS.

In addition, we tested the reliability of data for transactions processed through CTS. We judgmentally selected one of the three shelters that are both per diem and contractual providers and randomly selected 30 clients from the invoices submitted by this shelter. We compared client identification and payment information on the invoices to the corresponding information on a CTS printout. We also randomly selected 30 clients from a CTS printout and compared the client identification and payment information on the printout to the corresponding information on the invoices.

A comprehensive review of information technology controls in the CTS and SCIMS systems was beyond the scope of this audit.

The results of the above tests in which samples were drawn, while not statistically projected to their respective populations, provided a reasonable basis for assessing DHS administration of its bank accounts.

This audit was conducted in accordance with generally accepted government auditing standards (GAGAS) and included tests of 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 May 10, 2007 and was discussed at an exit conference held on May 23, 2007. We submitted a draft report to DHS officials on June 1, 2007 with a request for comments. We received a written response from DHS officials on June 20, 2007.

In its response, DHS generally agreed with the audit's findings and recommendations, but stated that "due to the imminent closure of a facility, one recommendation will not be implemented. DHS intends to implement all but one recommendation by the end of 2007." DHS also stated that it "continues to work to improve its internal controls and the New York City Comptroller's audit has assisted the agency in this undertaking."

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

FINDINGS AND RECOMMENDATIONS

Our audit revealed that DHS needs to improve the controls over the administration of its Billing System and MEA accounts. DHS has adequate controls in terms of deposits in and withdrawals from the Billing system bank account and the MEA account. DHS has established accounting systems to record, track, and store transactions made through its Billing System bank account, and the DHS Billing unit, which processes per diem family provider payments, compares shelter invoices to homeless family records stored in CTS prior to initiating payments through this bank account.

The payment process leading up to the withdrawals, however, exhibited several weaknesses. The audit identified: a lack of segregation of duties in the Billing unit; a lack of reconciliation of the electronic transfer of funds from the Billing System bank account to the Billing unit's authorized payments; a failure to properly process recoupments; a lack of controls over the processing of payments to the one per diem adult provider; a lack of controls over disbursements made from the MEA account; and a failure to determine which entities require the issuance of 1099-MISC forms for income tax purposes.

Adequate Controls for Billing System Bank Account Deposits and Withdrawals

DHS has adequate controls in terms of deposits in and withdrawals from its Billing System bank account. When DHS needs funds to pay its per diem providers, it processes a miscellaneous voucher through FMS. Based on the miscellaneous voucher, FMS provides a check payable to DHS. The DHS custodian, who is a Finance unit employee responsible for the Billing System bank account, deposits this check in the Treasury Pool Account. When payments are to be made to per diem providers, the Billing unit and the OIT prepare a payment file that is emailed to the custodian, who initiates an electronic transfer of funds to the providers. To initiate the transfer, the custodian transmits the payment file to the Billing System bank account, which is located in the same bank as the Treasury Pool Account. The custodian is not able to change the payment file before it is transmitted to the Billing System bank account. The bank transfers funds electronically to the providers, which creates a negative account balance in the Billing System bank account. The bank then uses funds in the Treasury Pool Account to return the Billing System bank account to a zero balance.

Another DHS Finance unit employee performs a regular reconciliation of DHS deposits and disbursements to the Treasury Pool and Billing System accounts. Our review of the Department of Finance's Cash Management Reports for Fiscal Year 2006 and the DHS disbursement journal for the Billing System account revealed that these deposits and disbursements were properly reconciled.

Lack of Segregation of Duties at the Billing Unit

DHS does not adequately segregate duties in its Billing unit relative to its payments to per diem family shelter providers. As a result, several tasks have been performed by one individual—the Billing unit supervisor, and this may increase the risk of error and misappropriation.

According to Comptroller’s Directive #1, “Key duties and responsibilities need to be divided or segregated among different staff members to reduce the risk of errors and fraud. This should include separating the responsibilities for authorizing transactions, processing and recording them, reviewing the transactions, and handling any related assets. No one individual should control all key aspects of a transaction or event.”

Upon the receipt of invoices and certain supporting documentation from per diem family shelters, the Billing unit supervisor date-stamps the invoices and logs them in. Unit reviewers then compare pertinent information on the invoices, such as the number of care days provided, with family records in CTS. The reviewers print a prepayment register showing the invoice information on clients that has been reconciled to CTS information. The invoices, certain supporting documentation, and the register are given to the Billing unit Director for review. After approving the invoices for payment, the Director gives them to the Billing unit supervisor, who works with OIT to process the payment. The payment information received from the Billing unit is processed through CTS by OIT. This processing enables the Billing System bank account custodian to initiate electronic funds transfers from the bank account to the per diem shelters.

During the processing of the payment by OIT, the Billing unit supervisor authorizes certain OIT steps in the payment process and makes corrections in CTS when there are discrepancies. In addition, the Billing unit supervisor is authorized to resubmit data on cases that are rejected when the New York State Welfare Management System (WMS) reports that the clients are not recipients of public assistance. The Billing unit supervisor does this by entering an override code in CTS to allow payment in these cases even though DHS is unable to obtain federal and state reimbursement in such cases. These steps are performed by the Billing unit supervisor without any Billing unit oversight. None of the corrections or overrides are reviewed or approved by the Director of the unit.

The lack of segregation of duties in the payment process may result in errors or in the misuse or misappropriation of City funds. The task of correcting discrepancies and overriding rejected cases should be a supervised activity in the Billing unit. Therefore, DHS should ensure that the Director of the Billing unit oversees the entire payment-cycle process and ensures that the Billing unit supervisor does not handle all aspects of the correction and override process.

The alternative to paying per diem providers through a DHS bank account is to pay them through FMS, which has built-in controls that require a separation of duties among those who prepare and authorize payment vouchers. According to FMS procedures, “Documents entered into the system are placed on the Document Listing (SUSF) and are not accepted until all edits are satisfied and all required approvals are applied. Payment Vouchers and Miscellaneous

Payment Vouchers require approval from two authorized agency officials. This typically includes the agency Chief Fiscal Officer (CFO), equivalent or authorized designee and one additional appointed official. The two levels of agency approval must be applied for payment vouchers to be accepted into the system.”

DHS should be moving towards paying all of these providers through FMS by intensifying its efforts to have contractual agreements with them. The option of entering into contracts with each of its per diem providers was recommended in an audit² issued by the Office of the New York City Comptroller on October 1, 2003. In responding to the recommendation, DHS stated: “We should move toward establishing contracts with the majority of un-contracted facilities with which the City currently has relationships.”³ Contractual relationships with these providers would require that payments be made through FMS, which would help address the segregation of duties issue noted above and other control weaknesses at DHS relating to the payment of per diem providers, as will be explained throughout the remainder of this report. Making payments through FMS would also help ensure that DHS is not paying providers that have liens on them for owing the City money. In addition, obtaining shelter services through contracts rather than per diem arrangements would help ensure that such procurements comply with applicable City Charter and Procurement Policy Board rules, strengthen vendor accountability and increase transparency.

Recommendations

DHS should:

1. Ensure that the Director of the Billing unit approves the final payment file to be sent to the bank account custodian by the OIT unit for the electronic transfer of funds to providers.

Agency Response: “Implemented. ... The Billing Unit Director manually reviews and approves all payments before they are submitted for electronic transfer to shelter providers. The Unit Director compares and verifies matching dollar amounts listed in the Awaiting Payment Report to the Payback Report from the prior payment cycle (for Resubmits); and to approved Exception to Policy forms (for Special Payments).”

2. Intensify its efforts to enter into contracts with its per diem providers.

Agency Response: “DHS is currently involved in contract [negotiations] with four separate agencies to bring approximately 782 per diem units, formerly scatter sites under the Billing System under contract. In the future, DHS will continue its efforts to either downsize per diem capacity by taking facilities off line or contract where appropriate.”

² *Audit Report on Department of Homeless Services Controls over Payments to Hotel and Scatter Site Housing Operators July 1, 2001–June 30, 2002* (FM03-123A, issued October 1, 2003).

³ FM03-123A, p. 7.

Lack of Coordination Between Electronic Funds Transfers And Billing Unit's Authorized Payments

DHS has no procedure in place to ensure that the payments made to the per diem providers correspond to the amounts authorized by the Billing unit. Consequently, the Billing unit was unaware of certain payments to per diem providers.

Per diem providers' claims are processed by the Billing unit, but the actual payments are made to the providers by the custodian of the Billing System bank account, who works in the Finance unit. There is no direct communication between the account custodian and the Billing unit. The Billing unit communicates all payment information to OIT, which process the claims through CTS. OIT in turn communicates the final payment amounts to the custodian of the Billing System bank account, who initiates an electronic transfer of funds to the per diem vendors. During our walkthroughs, OIT staff referred questions regarding the amounts paid to the providers to the Billing unit, stating that the amounts paid to the providers were the responsibility of the Billing unit. However, the Billing unit was not always aware of the final amounts paid to the providers.

A CTS report known as the Payback Report is generated after OIT processing of the invoices and before transmittal of the payment information to the Billing System bank account custodian. The report shows all the payments approved and rejected during the processing of the payments by OIT. The amounts to be paid listed on that report should correspond to the amounts actually paid by electronic funds transfer. However, our review of electronic funds transfer data disclosed that during the June 19, 2006 payment cycle, an electronic funds transfer of \$1,096 was made to a provider even though the Payback Report showed that CTS rejected this recoupment because there was no payment from which the recoupment could be deducted. This CTS rejection of the recoupment was ineffective because the amount was subsequently processed as an electronic funds transfer payment to the provider. In effect, a payment of \$1,096 was made when the intent was to have the amount recouped (deducted) from the vendor. FMS procedures state: "Documents entered into the system are placed on the Document Listing (SUSF) and are not accepted until all edits are satisfied and all required approvals are applied."

To ensure that the amounts authorized by the Billing unit Director are the amounts that are finally disbursed from the Billing System bank account, comparisons of the electronic funds transfers to the amounts authorized to be paid by the Billing unit should be done regularly. By not comparing transactions authorized by the Billing unit Director to transactions actually processed, DHS increases the risk that providers will be overpaid or that City funds will be misused.

In addition, our analysis of two DHS reports, one entitled "Facilities on Intermediate Waiting Period" and the other entitled "Record of Payments Issued and Payments Rejected", disclosed that CTS did not properly process recoupments of previous overpayments to providers even when there were payments from which to deduct the recoupment. Consequently, in seven cases of this type, a total of \$9,193 that was supposed to be recouped from providers in Fiscal Year 2006 was rejected by CTS and not deducted from these or subsequent payments. For example, \$2,284 was supposed to be recouped from a provider. The provider's claim for the

period was for \$103,663. If the recoupment had been processed correctly and deducted from the payment, the provider would have been paid \$101,379. However, the electronic funds transfer to the provider was for the full amount of the claim—\$103,663.

According to DHS Billing unit officials, DHS does not have procedures to track recoupments. DHS should ensure that it properly deducts recoupments from its payments to providers.

Had payments to these providers been processed through FMS, vouchers would have been prepared that stipulated the exact amounts that providers were owed. According to FMS procedures, “The Voucher Total field must equal the Calculated Voucher Total field before the voucher will be accepted.” Accordingly, recoupments would have been deducted from payments before vouchers were authorized.

Recommendations

DHS should:

3. Establish a process to ensure that all electronic transfers of funds to per diem providers match the amounts authorized by the Director of the Billing unit.

Agency Response: “Implemented. ... The Billing Unit Director reconciles payments at the end of each payment cycle using an independent source report. OIT posts an HOM740-RI Report (RI Report) on the Agency’s shared Q Drive at the end of each payment cycle. The RI Report lists the actual total dollar amounts withdrawn from the DHS bank account and is used as an independent source in comparing the Payback Report for the total dollar amounts issued. The Unit Director signs and dates these reports as verification of matching dollar amounts. All documentation is placed in the Final Payment Folder.”

4. Resolve the erroneous \$1,096 payment made to a provider that actually owed DHS \$1,096 and recoup it as appropriate.

Agency Response: “Implemented. ... The \$1,096 erroneous payment made to Pilgrim Realty 1 (HB32) was repaid by the provider on March 20, 2007.”

5. Search its databases and records for other instances in which payments were erroneously made to providers instead of being recouped from them.

Agency Response: “In light of the fact that payments were erroneously made to providers, DHS has searched its databases and records for the period of 2007 to 2000. Five errors were found and as a result, Billing has contacted the providers involved and will recoup these payments.”

6. Establish procedures and computer controls to prevent such erroneous payments.

Agency Response: “The DHS Billing Unit has drafted procedures for recouping overpayments from family shelter providers. These procedures have been forwarded to DHS executive staff for review. Feedback is pending.

“DHS OIT has made a change to the CTS program that tracks recoupments, and now flags any recoupments that have not been deducted. Thus, in the future, recoupments will always be deducted from payments to providers.”

7. Recoup the additional \$9,193 identified in the audit that DHS failed to deduct from payments made to providers.

Agency Response: “OIT generated a Negative Special Payment Report from the DHS Billing System which was used by the Billing Unit to verify the overpayments totaling \$9,193. The Billing Unit has recouped a total of \$8,827.86. A balance of \$365.47 remains and will be recouped by July 31, 2007.”

8. Search its databases and records for other instances in which recoupments were not properly deducted from payments made to providers.

Agency Response: “OIT generated a Negative Special Payment Report from the DHS Billing System. This report lists all recoupments posted in the DHS Billing System from 1998 to 2007. The Billing Unit intends to recoup any outstanding amounts by August 2007.”

9. Establish procedures and computer controls to ensure the proper processing of recoupments.

Agency Response: “A draft procedure for recouping overpayments from family shelter providers is presently under review and pending executive staff approval. Thereafter, Billing intends to meet with OIT [to] automate the process and incorporate the necessary controls.”

Lack of Control over the Processing of St. James Shelter’s Claims

Claims from the St. James Shelter (the only per diem adult shelter), are paid from the Billing System account but are not processed through the Billing unit, which only processes family shelter claims. While the Billing unit has a system to review provider invoices and corresponding client information in CTS, DHS has no comparable system to review per diem adult provider invoices and corresponding client information in SCIMS. St. James Shelter payments are automatically processed through SCIMS based on client information entered in the system by shelter staff. As a result, we performed a detailed review of the DHS processing of payments to the St. James Shelter.

Our review of payments made to the St. James Shelter, which is DHS’s only per diem adult shelter, disclosed a serious lack of internal controls over these payments. As a result,

payments were made to the St. James Shelter without supporting documentation or a proper review of the amounts paid.

Payments Not Properly Supported

DHS paid St. James Shelter for providing lodging to homeless adults without requesting supporting documentation to ensure that the correct amounts were paid. Consequently, St. James Shelter was consistently overpaid for services it provided.

DHS paid St. James Shelter twice a month without first verifying that all clients for whom payments were made actually used the shelter during the periods indicated. In Fiscal Year 2006, DHS made 24 payments for a total of \$594,503 to St. James Shelter. We judgmentally selected the December 19, 2005 payment and requested the related supporting documentation. The only documentation DHS provided was a single-page printout from the SCIMS system listing all clients for whom the payment was made for the period between November 16 and 30, 2005. DHS officials told us that no other documentation exists at DHS because they rely on the client information entered in SCIMS by St. James Shelter staff and the DHS Vacancy Control unit.

According to DHS officials, a staff person visits St. James Shelter once a week to verify the client roster, which is signed by each client present at breakfast every morning. During our walkthrough at St. James Shelter, we were told that DHS staff visits are related to social services and not to the review of client rosters. In any event, DHS has no records whatsoever to show it reviewed client rosters to ensure proper payments to the St. James Shelter.

DHS officials also stated that the information in SCIMS is updated by the Vacancy Control unit every night. We were told that the Vacancy Control unit is responsible for updating the SCIMS system on a daily basis (at 10:00 p.m. and 2:00 a.m.) when the unit receives calls from the shelters providing information on occupancy rates and curfew violations. However, Vacancy Control unit officials informed us that the unit does not update the SCIMS system or make any entries in the SCIMS system. In fact, the purpose of the Vacancy Control unit is to gather statistics on the occupancy of the shelters for program, not payment, purposes. Therefore, there is no evidence that DHS reviews and updates the information in SCIMS before the St. James Shelter payments are processed.

As previously stated, clients sign daily breakfast rosters. The St. James Shelter uses the breakfast rosters to prepare a report, the Monthly Transitional Utilization Billing Form, which is sent to the shelter's Fiscal Office. The Fiscal Office uses this information to produce an invoice that shows how much DHS is supposed to pay St. James for the period billed. However, these invoices are prepared after payments have already been received from DHS. The invoices are prepared by the Fiscal Office to ensure that the shelter receives the correct amounts. One official at the shelter's Fiscal Office stated that they do not worry about overpayments because differences are corrected when the closeout statements are prepared.

To determine whether the 24 payments DHS made to the St. James Shelter during Fiscal Year 2006 were valid and accurate, we compared these payments to the invoices prepared by the

shelter's Fiscal Office. The shelter's invoices identified the care days provided and multiplied them by a per diem rate. Our analysis revealed that DHS consistently overpaid St. James Shelter during the year. Based on the St. James Shelter's Fiscal Year 2006 invoices to DHS totaling \$539,028, we calculated that DHS's payments to the shelter of \$594,503 during the fiscal year included an overpayment of \$55,475. Each payment included an overpayment ranging from \$1,973 to \$3,120. This resulted from DHS not requiring the shelter to submit invoices or other documentation to support its claims in advance of payment and from DHS not reviewing and updating the information entered in SCIMS.

By systematically overpaying the St. James Shelter during the year, DHS relied totally on a year-end closeout process that is more appropriate to a contractual relationship than to a pay-as-you-go arrangement. DHS needs to establish contracts with its providers. In the interim, a system of internal controls that enables it to pay its per diem adult shelter provider the correct amounts throughout the year should be developed. For its family shelter providers, the DHS *Family Services Billing Unit* manual requires that "shelter operators use invoices to certify that services were rendered for homeless families referred to them by DHS. The Billing unit recommends to each shelter operator that they designate a financial officer or agent thereof who will certify and attest to the accuracy of their monthly billings and all associated documents." DHS needs to implement similar procedures for payments to its per diem adult shelter.

Payments Not Properly Reviewed

According to DHS officials, a closeout statement is prepared at the end of each fiscal year to ensure that payments made to St. James Shelter were appropriate. However, our analysis of the closeout statements for Fiscal Years 2003 through 2006 disclosed that the basis for the closeouts was inappropriate.

DHS bases its closeout review on "allowable expenses" (DHS budgeted amounts for St. James), not on invoices and supporting documentation. According to DHS officials, allowable expenses represent the budgeted amounts. However, in the year-end closeout, it appears that DHS determines the amounts to be paid to the shelter based on the budgeted amounts rather than on St. James' actual services. As noted above, when DHS paid the St. James Shelter \$594,503 during Fiscal Year 2006, we determined that it overpaid the shelter by \$55,475. However, DHS's Fiscal Year 2006 Rate-Based Close-Out Statement for the St. James Shelter stated that total Fiscal Year 2006 allowable expenses were \$602,344, which represents an additional \$7,841 above the \$594,503 already paid. According to the closeout statement, this additional \$7,841 is due to St. James, which would lead to a total overpayment of \$63,316.

DHS should require that the St. James Shelter submit invoices and supporting documentation for all claims processed. DHS should then base its closeout statement, as well as its final payments (recoupments), on the services actually provided by the shelter during the year.

Furthermore, DHS is not promptly obtaining recoupments of payments that were above the allowable expenses (budgeted amounts). The Fiscal Year 2003 and 2004 closeout statements (dated December 16, 2003 and February 2, 2005, respectively) showed that the provider was overpaid \$41,939 during Fiscal Year 2003 and \$49,996 during Fiscal Year 2004. However, this

money had still not been recovered as of the June 1, 2006 closeout statement for Fiscal Year 2005. The Fiscal Year 2005 closeout statement (dated June 1, 2006) identified an overpayment of \$21,016 during the fiscal year that was added to the total of \$91,935 in overpayments during the preceding two fiscal years to arrive at the conclusion that a closeout payment of \$112,951 was needed from the provider. The February 20, 2007 closeout statement for Fiscal Year 2006 indicated that the overpayments dating back to Fiscal Year 2003 had finally been recouped.

If DHS determines that there is a continuing need for the services provided by the St. James Shelter, and if it is satisfied with the shelter's performance, it should enter into a contractual relationship with the provider. In the meantime, there is no justification for continuing to pay this provider through the Billing System account. Until a contract is in place, using purchase orders and processing regular payment vouchers through FMS for the St. James Shelter, though still inappropriate according to Directive #24 due to the large amounts paid to this provider, would still be preferable to continuing to use the Billing System account to pay this provider.

As noted earlier, FMS procedures state: "Payment Vouchers require approval from two authorized agency officials. . . . The two levels of approval must be applied for payment vouchers to be accepted into the system." Built-in controls in FMS, such as recording who prepared and approved the vouchers, would help impose some needed discipline on the payment process for this provider.

Recommendations

DHS should:

10. Require that the St. James Shelter provide invoices and supporting documentation for all claims.

Agency Response: "As noted in the audit report, the St. James Shelter is the one and only current shelter within the Adult Shelter system that is paid on a per diem basis. Given the current and consistent reductions in the Adult Shelter system census, DHS had determined that the St. James shelter should be terminated because it is not a cost-effective model, given its current budget and capacity. DHS anticipates that this termination will occur by the end of the calendar year. In the interim, DHS will require that the provider submit invoices to DHS that will be reconciled with client data in SCIMS to more closely monitor payments to the provider and avoid future overpayment."

11. Ensure that all invoices and supporting documentation submitted by the St. James Shelter are reviewed.

Agency Response: "DHS is in agreement that the reliance on the year-end closeout was not a sufficient internal control for the monitoring of this program. For the ensuing months before termination of the St. James Shelter, estimated to be by the end of the

current calendar year, DHS will more closely monitor payments to ensure that there are no future overpayments made to this provider.”

12. Ensure that the determination of overpayments is based on actual rather than allowable expenses and recalculate the closeout statement for Fiscal Year 2006.

Agency Response: “Implemented. ... Closeout statements from FY 2003-2006 have been reviewed. Overpayments from 2003-2005 are being repaid in equal monthly installments over a twelve (12) month period ending in mid-FY 2007. There was no overpayment in FY 2006. The overpayment calculated by the Comptroller is incorrect. St. James’ actual expenditures were \$659,177 (Page 7 attachment). The allowable budgeted expenses were \$602,344. DHS paid St. James \$594,503. DHS paid St. James up to their budget giving them an additional \$7,841.”

Auditor Comment: We disagree with DHS’s contention that there was no overpayment to St. James in Fiscal Year 2006. As we state in the report, invoices provided to us by DHS and St. James indicate that DHS made overpayments totaling \$63,316 to the shelter. The documentation upon which DHS is basing its contention was never provided to us during the audit, although it had ample opportunity to do so. Furthermore, the expenditures that DHS is referring to should not be used in determining the amount payable to St. James; as a per diem shelter, St. James should be paid a daily rate based on actual services (i.e., care days) provided, as we state in the report. In addition, while we are not questioning DHS’s decision to establish a maximum reimbursement for the provider through an allowable expense budget, the amount paid to the shelter should not exceed the total per diem payments due the provider based on actual care days. Accordingly, we reaffirm our finding.

13. Promptly obtain identified recoupments upon completion of year-end closeout statements.

Agency Response: “Implemented. ... DHS has taken steps to recoup all closeout payments due and will ensure prompt recoupment at each year-end if necessary.”

14. Determine whether a contract with the St. James Shelter is appropriate.

Agency Response: “Implemented. ... As noted in the audit report, the St. James Shelter is the one and only current shelter within the Adult shelter system that is paid on a per diem basis. All other shelters are under contract, and paid through FMS, a system we agree has the appropriate internal controls. Given the current and consistent reductions in the Adult shelter system census, DHS has determined that the St. James Shelter should be terminated because it is not a cost-effective model given its current budget and capacity. It is the goal of the Agency and DHS’ Shelter Take-down Plan to continuously examine opportunities to reinvest shelter dollars to focus on initiatives related to permanency. For these reasons, DHS will not pursue a contract with the St. James Shelter, as recommended.”

15. Until a contract is in place, pay the St. James Shelter using purchase orders and regular payment vouchers processed through FMS.

Agency Response: “DHS disagrees, and will not implement. DHS has determined that it will not pursue a contract with the St. James Shelter. DHS will more closely monitor payments to this provider to avoid any future overpayments during the time period before termination. It is estimated that the termination will occur by the end of the calendar year. It should be noted that the FY 05 and prior recoupments have been arranged on a payment schedule and are current, and there were no FY 06 overpayments.”

Auditor Comment: We continue to believe that the St. James Shelter should be paid by using purchase orders and regular payment vouchers through FMS as opposed to a private bank account until DHS discontinues its use of this facility. The use of FMS would significantly enhance controls on the payment process for this provider.

Lack of Control over Disbursements from the MEA Account

DHS has inadequate controls over the transactions processed through its MEA bank account, which pays imprest funds at family and adult shelters that are directly operated by DHS. As a result, payments were made from this bank account for these imprest funds to individuals who were not listed in the DHS Custodian Directory as being the imprest fund custodians for these shelters.

According to the DHS *Sub-Imprest Fund Procedures Manual*, “To establish an SIF [sub-imprest fund], the Assistant or Deputy Commissioner in charge of the office must send a memo to the Director of Finance. The Memo must include the names, telephone numbers and sample signature of the SIF Custodian and the SIF Clerk . . . Finance must also be informed in writing by the Shelter Director or unit Head within five working days of any changes in the Custodian, SIF Clerk, or their address.”

However, contrary to the SIF Procedures Manual, the DHS Custodian Directory did not reflect changes in those who served as fund custodians and clerks of the shelters.

To determine whether funds were properly disbursed from the MEA account, we reviewed checks issued or cleared during a randomly selected month in Fiscal Year 2006. Of the 68 MEA checks, totaling \$64,324, issued or cleared in September 2005, 33 checks, totaling \$24,394, were issued to 12 individuals who were not listed on the Custodian Directory. DHS officials stated that the 12 individuals were alternates who received checks when the shelters’ fund custodians were not available.

However, the *Sub-Imprest Fund Procedures Manual* states that “for larger funds, alternates should be designated to act in the absence of the primary employee.” None of the 12 individuals who received MEA checks were identified in the Custodian Directory as being alternates. This is especially important since it may be inappropriate for segregation of duties

reasons for certain individuals to receive MEA checks in the absence of the imprest fund custodian. For example, one of the 12 individuals who received MEA checks is a DHS Central Office employee and not a shelter staff member. In one instance, an MEA check for a shelter was issued to an individual who was custodian of another shelter.

To minimize the risk of misappropriation of funds, DHS should comply with its *Sub-Imprest Fund Procedures Manual* and maintain an updated Custodian Directory. DHS should ensure that checks are issued only to those individuals listed in the Custodian Directory. To avoid the commingling of funds, an individual should not serve as the custodian for more than one shelter.

Recommendations

DHS should:

16. Ensure that its imprest fund Custodian Directory is regularly updated to reflect changes in authorized personnel.

Agency Response: “Implemented. ... DHS currently updates the Custodian Directory as needed. During fiscal year 2006 shelters were closed and Custodians relocated to other shelters. This resulted in several updates to the Custodian Directory. The auditors requested the Custodian Directory as of June 30, 2006. Any differences found by the auditors for Custodians not appearing on the June 30th directory, or others appearing in different shelters than the transactions identified from earlier in the year were all due to reassignments and closings. The Directory was correct at the time for the related transactions.”

Auditor Comment: We cannot confirm that the directories were updated because DHS officials did not provide evidence of such when we presented this finding to them during meetings held on March 28 and May 23, 2007. To date, DHS has still not provided copies of any revised directories to support this claim. Nevertheless, we are pleased that DHS states that it is currently updating its Custodian Directory as needed.

17. Ensure that authorized alternates are properly identified in the Custodian Directory.

Agency Response: “Implemented. ... DHS has appropriate safeguards in place for Custodian alternates and has procedures that ensure that authorized alternates are properly identified in the Custodian Directory.

“‘At the Custodian’s request, replenishment checks may be made out to the Custodian or an alternate designated by the Custodian,’ page 33, SIF Procedure Manual – Chapter V. The procedures allow for the Custodian to resolve an unforeseeable need for the cashing of replenishment checks. The Imprest Unit maintains a check-cashing directory as well as a file of sample signatures for all alternate payees.”

18. Ensure that checks are written only to those individuals listed on the Custodian Directory and only for the shelters to which they are assigned.

Agency Response: “Implemented. ... DHS currently ensures that checks are written to and cashed only by Custodians or Custodian alternate payees.

“The audit refers to a reassigned Custodian, not a Custodian in more than one shelter. At the time the check for shelter A was picked up, the Custodian was the Custodian of record at that time. The shelter later closed, and the Custodian was then listed as the custodian of the re-assigned shelter B – not two shelters at the same time.”

Auditor Comment: The audit report identified 12 individuals who received MEA checks but were not identified in the Custodian Directory. Apparently accepting that 11 of the 12 individuals were not properly identified in the Custodian Directory, DHS states that one of these 12 individuals was reassigned to another shelter, but provides no evidence to support this claim. Nevertheless, we are pleased that DHS states that it is currently ensuring that checks are only written to and cashed by authorized individuals.

Failure to Determine Which Providers Require 1099-MISC Forms

DHS did not determine which of its per diem providers are 1099-reportable entities, as defined by the Internal Revenue Service (IRS). As a result, DHS may have failed to report its payments to such entities to the Financial Information Services Agency, which is the City agency responsible for issuing 1099-MISC forms. The non-issuance of such forms may have helped some per diem providers understate their income and thereby lower their federal, state, and local taxes.

According to IRS regulations, sole proprietors, partnerships, and limited liability companies are 1099-reportable entities. Corporations, non-profit corporations, and government agencies are not 1099-reportable entities.

DHS’s 99 per diem family shelter providers are owned by 76 legal entities. We searched the New York Department of State’s website to verify the business types of these providers. We found that of the 76 entities, 29 were limited liability companies and 38 were either corporations or non-profit corporations. We found no information at the website on the remaining 9 entities. For the 29 limited liability companies, DHS paid a total of \$41,583,892 in Fiscal Year 2006 without reporting this information to FISA, which issues the 1099-MISC forms. Again, this situation would not have occurred had DHS appropriately processed these payments in FMS.

Providers paid through FMS are issued 1099-MISC forms. FMS maintains a database of payments to vendors that contains the information necessary to generate 1099-MISC forms. Agencies receive FMS reports at various times during the calendar year in order for them to review payments cleared by FMS and make any necessary corrections. FISA generates 1099-MISC forms based on this corrected information.

By failing to determine which of its per diem providers require 1099-MISC forms, DHS may be unintentionally helping these providers understate their income to the IRS and thereby lower their federal, state, and local taxes. DHS should take the necessary steps to identify its

1099-reportable per diem providers and report its payments to these providers in a format acceptable to FISA.

Recommendations

DHS should:

19. Identify all of its 1099-reportable per diem providers.

Agency Response: “DHS will send City of New York Substitute Form W-9: Request For Taxpayer Identification Number and Certification to all billing vendors. Based upon information on the W-9, DHS will identify 1099-reportable per diem providers.”

20. Report its payments to 1099-reportable per diem providers in a format acceptable to FISA.

Agency Response: “DHS OIT will incorporate tracking 1099-reportable per diem providers in its billing system and will report all payments made in the correct format provided by FISA.”

Robert V. Hess
Commissioner

Steve Pock
Deputy Commissioner
Fiscal Operation

Lula Urquhart
Assistant Commissioner
Budget and Audit

June 20, 2007

John Graham
Deputy Comptroller for Audits, Accountancy & Contracts
Office of the Comptroller
Executive Offices
1 Centre Street
New York, N.Y. 10007

RE: NYC Comptroller's Office Draft Audit Report on the Department of Homeless Services
Administration of Its Billing System and Miscellaneous Expense Accounts (ME07-073A)

Dear Mr. Graham:

Enclosed are the Department of Homeless Services (DHS) responses to the above-mentioned New York City Comptroller's draft audit report.

DHS is pleased that the audit confirms that "DHS has adequate controls in terms of deposits in and withdrawals from the Billing System bank account and the MEA account." The audit recommends that DHS improve its controls over the administration of its Billing System and MEA account and the agency agrees that controls could be improved and has already implemented or has partially implemented 13 of the 20 audit recommendations. Implementation of six recommendations is pending, and due to the imminent closure of a facility, one recommendation will not be implemented. DHS intends to implement all but one recommendation of the by the end of 2007.

DHS generally agrees with the recommendation that states "DHS should intensify its efforts to enter into contracts with per diem providers." DHS is currently involved in contract negotiations to bring approximately 782 per diem units, formerly scatter sites under the Billing System, under contract. The agency continues its efforts to downsize per diem capacity by either taking facilities offline or contracting where appropriate.



DHS continues to work to improve its internal controls and the New York City Comptroller's audit has assisted the agency in this undertaking.

Sincerely,



Michael King
Audit Director

Enclosures

c: Robert Hess
Fran Winter
Roger Newman
George Nashak
Steve Pock

Maryanne Schretzman
Lula Urquhart
Steve Bass
Dilip Kulkarni
Carol David

Alex Barro
Douglas Sherman
Joseph Brown
Jim Bradley, NYC Comptroller's



New York City Department of Homeless Services

Page 1 of 1Response Date: June 8, 2007

AUDIT TITLE: Audit Report on the Department Of Homeless Services Administration
Of Its Billing System and Miscellaneous Expense Accounts

AUDITING AGENCY: New York City Office of the Comptroller Bureau of Management Audit

DRAFT REPORT DATE: June 1, 2007

AUDIT NUMBER: ME07-073A

Audit Recommendation # 1

Ensure that the Director of the Billing Unit approves the final payment file to be sent to the bank account custodian by the OIT unit for the electronic transfer of funds to providers.

Category of Response:

A - Implemented

Response To Recommendation

The Billing Unit Director manually reviews and approves all payments before they are submitted for electronic transfer to shelter providers. The Unit Director compares and verifies matching dollar amounts listed in the Awaiting Payment Report to the Payback Report from the prior payment cycle (for Resubmits); and to approved Exception to Policy forms (for Special Payments).

If there are no discrepancies, the Unit Director signs and dates the Awaiting Payment Report as verification of matching dollar amounts and authorizes the Unit Supervisor to proceed with the payment cycle. All documentation is placed in the Final Payment Folder.

For Cycle Payments, the Unit Supervisor generates a Pay Table Report immediately before the initiation of a payment cycle (Flag 2). This report lists facilities and billing periods to be paid. The specific dollar amounts are annotated on this report next to each facility based on the Pre Payment Report.

Unit Supervisor generates a second automated Awaiting Payment Report after advancing the payment cycle (Flag 3). The Awaiting Payment Report now lists the total Cycle Payment dollar amounts to be processed. The Unit Director compares this report to the Pay Table Report to verify matching dollar amounts.

If there are no discrepancies, the Unit Director signs and dates the Awaiting Payment Report as verification of matching dollar amounts and authorizes the Unit Supervisor to proceed with the payment cycle. All documentation is placed in the Final Payment Folder.

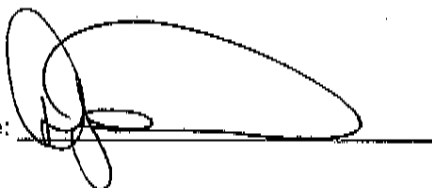
Implementation Date

May 17, 2007

RESPONSIBILITY CENTER

Billing Unit/Family Services

Signature: _____



Print Name: Douglas Sherman

Date: June 8, 2007

Print Title: Director of Intake Support, Family Services

AUDIT TITLE: Audit Report on the Department of Homeless Services' Administration Of Its Billing System And Miscellaneous Expense Accounts

AUDITING AGENCY: NYC Office of the Comptroller

DRAFT REPORT DATE: June 1, 2007

AUDIT NUMBER: ME07-073A

Audit Recommendation #2

DHS should intensify its efforts to enter into contracts with its per diem providers.

Category of Response:

C - Implementation is pending

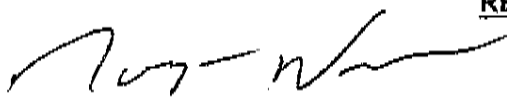
Response To Recommendation

DHS is currently involved in contract negotiations with four separate agencies to bring approximately 782 per diem units, formerly scatter sites under the Billing System under contract. In the future, DHS will continue its efforts to either downsize per diem capacity by taking facilities off line or contract where appropriate.

Implementation Date

Ongoing

RESPONSIBILITY CENTER



Signature:

Roger Newman

Print Name:

June 15, 2007

Date

Print Title: Deputy Commissioner Family Services

New York City Department of Homeless Services

Page 1 of 1Response Date: June 8, 2007**AUDIT TITLE:** Audit Report on the Department Of Homeless Services Administration
Of Its Billing System and Miscellaneous Expense Accounts**AUDITING AGENCY:** New York City Office of the Comptroller Bureau of Management Audit**DRAFT REPORT DATE:** June 1, 2007**AUDIT NUMBER:** ME07-073A**Audit Recommendation # 3**

Establish a process to ensure all electronic transfers of funds to per diem providers match the amounts authorized by the Director of the Billing Unit.

Category of Response:**A - Implemented****Response To Recommendation**

The Billing Unit Director reconciles payments at the end of each payment cycle using an independent source report. OIT posts an HOM740-RI Report (RI Report) on the Agency's shared Q Drive at the end of each payment cycle. The RI Report lists the actual total dollar amounts withdrawn from the DHS bank account and is used as an independent source in comparing to the Payback Report for the total dollar amounts issued. The Unit Director signs and dates these reports as verification of matching dollar amounts. All documentation is placed in the Final Payment Folder.

Implementation Date

May 17, 2007

RESPONSIBILITY CENTER

Billing Unit/Family Services

Signature: Print Name: Douglas ShermanDate: June 8, 2007Print Title: Director of Intake Support, Family Services

New York City Department of Homeless Services

Page 1 of 1Response Date: June 8, 2007

AUDIT TITLE: Audit Report on the Department Of Homeless Services Administration
Of Its Billing System and Miscellaneous Expense Accounts

AUDITING AGENCY: New York City Office of the Comptroller Bureau of Management Audit

DRAFT REPORT DATE: June 1, 2007

AUDIT NUMBER: ME07-073A

Audit Recommendation # 4

Resolve the erroneous \$1,096 payment made to a provider that actually owed DHS \$1,096 and recoup it as appropriate.

Category of Response:

A - Implemented

Response To Recommendation

The \$1,095.64 erroneous payment made to Pilgrim Realty 1 (HB32) was repaid by the provider on March 20, 2007. Please find attached a copy of the check.

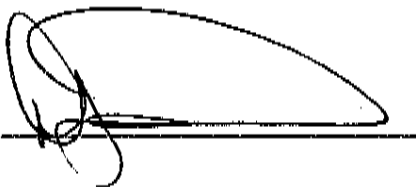
Implementation Date

March 20, 2007

RESPONSIBILITY CENTER

Billing Unit/Family Services

Signature: _____



Print Name: Douglas Sherman

Date: June 8, 2007

Print Title: Director of Intake Support, Family Services

PILGRIM REALTY LLC 1
314 McDONALD AVENUE
BROOKLYN, N.Y. 11218

HSBC BANK USA
200 MONTAGUE STREET
BROOKLYN, NY 11201

00007861

1-108/210

CHECK NO. 007861	CHECK DATE 03/13/07	VENDOR NO. DHS
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PAY ONE THOUSAND NINETY-FIVE AND 64/100 DOLLARS*****

CHECK AMOUNT
\$*****1,095.64

TO THE
ORDER
OF
DHS



⑆00007861⑆ ⑆021001088⑆ 660703947⑆

41332

Security features included. Details on back.

New York City Department of Homeless Services

Page ___ of ___

Response Date: June 8, 2007

AUDIT TITLE: Audit Report on the Department of Homeless Services Administration of its Billing System and Miscellaneous Expense Accounts

AUDITING AGENCY: Office of the Comptroller

DRAFT REPORT DATE: June 1, 2007

AUDIT NUMBER: ME07-073A

Audit Recommendation #5

Search its databases and records for other instances in which payments were erroneously made to providers instead of being recouped from them.

Category of Response:

C - Implementation is Pending

Response to Recommendation #5

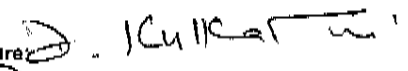
In light of the fact that payments were erroneously made to providers, DHS has searched its databases and records for the period of 2007 to 2000. Five errors were found and as a result, Billing has contacted the providers involved and will recoup these payments.

Implementation Date

July 31, 2007

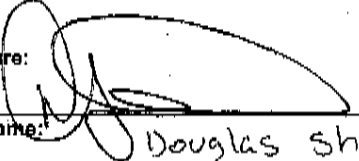
RESPONSIBILITY CENTER

Billing/Family Unit
OIT

Signature: 
Print Name: DILIP KULKARNI

6/14/07
Date

Print Title: CIO

Signature: 
Print Name: Douglas Sherman

6/14/07
Date

Print Title: Director/Intake Support

New York City Department of Homeless Services

Page ___ of ___

Response Date: June 8, 2007

AUDIT TITLE: Audit Report on the Department of Homeless Services Administration of its Billing System and Miscellaneous Expense Accounts

AUDITING AGENCY: Office of the Comptroller

DRAFT REPORT DATE: June 1, 2007

AUDIT NUMBER: ME07-073A

Audit Recommendation #6

Establish procedures and computer controls to prevent such erroneous payments.

Category of Response:

B- Partially Implemented

Response to Recommendation #6

The DHS Billing Unit has drafted procedures for recouping overpayments from family shelter providers. These procedures have been forwarded to DHS executive staff for review. Feedback is pending.

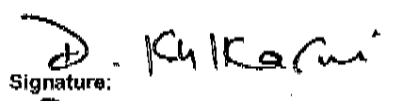
DHS OIT has made a change to the CTS program that tracks recoupments, and now flags any recoupments that have not been deducted. Thus, in the future, recoupments will always be deducted from payments to providers.

Implementation Date

7/16/07

RESPONSIBILITY CENTER

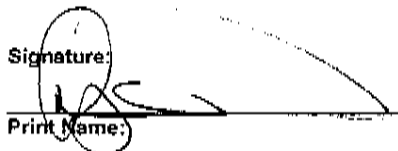
Billing/Family Unit
OIT

Signature: 

Print Name: DILIP KUKARNI

6/13/07
Date

Print Title: CIO

Signature: 

Print Name: _____

6/13/07
Date

Print Title:

DIRECTOR/INTAKE SUPPORT

New York City Department of Homeless Services

Page 1 of 1

Response Date: June 8, 2007

AUDIT TITLE: Audit Report on the Department Of Homeless Services Administration Of Its Billing System and Miscellaneous Expense Accounts

AUDITING AGENCY: New York City Office of the Comptroller Bureau of Management Audit

DRAFT REPORT DATE: June 1, 2007

AUDIT NUMBER: ME07-073A

Audit Recommendation # 7

Recoup the additional \$9,193 identified in the audit that DHS failed to deduct from payments made to providers.

Category of Response:

C – Implementation is pending

Response To Recommendation

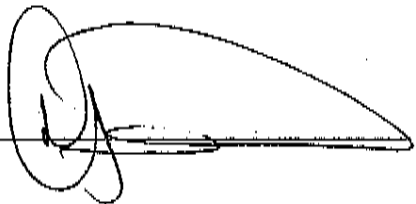
OIT generated a Negative Special Payment Report from the DHS Billing System which was used by the Billing Unit to verify the overpayments totaling \$9,193. The Billing Unit has recouped a total of \$8,827.86. A balance of \$365.47 remains and will be recouped by July 31, 2007

Implementation Date

July 31, 2007

RESPONSIBILITY CENTER

Billing Unit/Family Services

Signature: 

Print Name: Douglas Sherman

Date: June 8, 2007

Print Title: Director of Intake Support, Family Services

New York City Department of Homeless Services

Page 1 of 1Response Date: June 8, 2007

AUDIT TITLE: Audit Report on the Department Of Homeless Services Administration
Of Its Billing System and Miscellaneous Expense Accounts

AUDITING AGENCY: New York City Office of the Comptroller Bureau of Management Audit

DRAFT REPORT DATE: June 1, 2007

AUDIT NUMBER: ME07-073A

Audit Recommendation # B

Search its databases and records for other instances in which recoupments were not properly deducted from payments made to providers.

Category of Response:

B – Partially implemented

Response To Recommendation

OIT generated a Negative Special Payment Report from the DHS Billing System. This report lists all recoupments posted in the DHS Billing System from 1998 to 2007. The Billing Unit intends to recoup any outstanding amounts by August 2007.

What Has To Be Implemented

The recoupments are pending. All repayment will be tracked and accounted for regarding the providers involved.

Implementation Date

August 30, 2007

RESPONSIBILITY CENTER

Billing Unit/Family Services

Signature: 

Print Name: Douglas Sherman

Date: June 8, 2007

Print Title: Director of Intake Support, Family Services

New York City Department of Homeless Services

Page 1 of 1

Response Date: June 8, 2007

AUDIT TITLE: Audit Report on the Department Of Homeless Services Administration
Of Its Billing System and Miscellaneous Expense Accounts

AUDITING AGENCY: New York City Office of the Comptroller Bureau of Management Audit

DRAFT REPORT DATE: June 1, 2007

AUDIT NUMBER: ME07-073A

Audit Recommendation # 9

Establish procedures and computer controls to ensure the proper processing of recoupments.

Category of Response:

B -- Partially implemented

Response To Recommendation

A draft procedure for recouping overpayments from family shelter providers is presently under review and pending executive staff approval. Thereafter, Billing intends to meet with OIT automate the process and incorporate the necessary controls.

What Has To Be Implemented

A formal request must be drafted specifying business and data requirements for the proposed changes or modification to the Agency's Client Tracking System (CTS). In turn, OIT will study the proposed changes and provide a timeline for implementation.

Implementation Date

September 2007

RESPONSIBILITY CENTER

Billing Unit/Family Services & OIT

Signature:



Print Name: Douglas Sherman

Date: June 8, 2007

Print Title: Director of Intake Support, Family Services

New York City Department of Homeless Services

Page 1 of 4

Response Date: 6/11/07

AUDIT TITLE: Audit Report on the DHS Administration of Its Billing System and MEA

AUDITING AGENCY: _____

DRAFT REPORT DATE: _____

AUDIT NUMBER: _____

Audit Recommendation

#10: DHS should require that the St. James Shelter provide invoices and supporting documentation for all claims.

Category of Response:


C – Implementation is pending

Response To Recommendation

As noted in the audit report, the St. James Shelter is the one and only current shelter within the Adult Shelter system that is paid on a per diem basis. Given the current and consistent reductions in the Adult Shelter system census, DHS had determined that the St. James shelter should be terminated because it is not a cost-effective model, given its current budget and capacity. DHS anticipates that this termination will occur by the end of the calendar year. In the interim, DHS will require that the provider submit invoices to DHS that will be reconciled with client data in SCIMS to more closely monitor payments to the provider and avoid future overpayment.

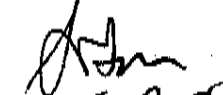
Implementation Date

RESPONSIBILITY CENTER

Signature: 

George NASHAK

Print Name:



STEVE BASS

Print Title: Acting Deputy Commissioner

AK FRODGE

6/15/07

Date

6/16/07

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

New York City Department of Homeless Services

Response Date: 6/11/07

AUDIT TITLE: Audit Report on the DHS Administration of Its Billing System and MEA

AUDITING AGENCY: _____

DRAFT REPORT DATE: _____

AUDIT NUMBER: _____

Audit Recommendation

#11: DHS should ensure that all invoices and supporting documentation submitted by the St. James Shelter are reviewed.

Category of Response:

A - Implemented

Response To Recommendation


DHS is in agreement that the reliance on the year-end closeout was not a sufficient internal control for the monitoring of this program. For the ensuing months before termination of the St. James Shelter, estimated to be by the end of the current calendar year, DHS will more closely monitor payments to ensure that there are no future overpayments made to this provider.


Implementation Date

Immediately

RESPONSIBILITY CENTER

Signature:


George Nardone


Steve Bass

6/13/07

Print Name:

Date

Print Title:

Account Dir. Comm. A/c FINANCE

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

New York City Department of Homeless Services

Page ____ of ____

Response Date: 6/6/07

AUDIT TITLE: Billing System & MEA

AUDITING AGENCY: New York City Comptroller's Office

DRAFT REPORT DATE: 6/1/07

AUDIT NUMBER: ME 07-073A

Audit Recommendation

- #12 Ensure that the determination of overpayments is based on actual rather than allowable expenses and recalculate the closeout statement for Fiscal Year 2006.

Category of Response:

A – Implemented

Response To Recommendation

Closeout statements from FY 2003-2006 have been reviewed. Overpayments from 2003-2005 are being repaid in equal monthly installments over a twelve (12) month period ending in mid-FY 2007. There was no overpayment in FY 2006. The overpayment calculated by the Comptroller is incorrect. St. James' actual expenditures were \$659,177.00 (Page 7 attachment). The allowable budgeted expenses were \$602,344.00. DHS paid St. James \$594,503.00. DHS paid St. James up to their budget giving them an additional \$7,841.00.

Implementation Date

RESPONSIBILITY CENTER

Signature:

Steve Bass
Print Name: Steve Bass

6/12/07
Date

Print Title: Assistant Commissioner/Finance

Categories of Responses
A- Implemented
B- Partially Implemented
C- implementation is pending
D- Agrees and will not implement
E- Disagrees and will not implement



NYC Department of Homeless Services

Robert V. Hess
Commissioner

Steve Pock
Deputy Commissioner
Fiscal Operations

Steve Bass
Assistant Commissioner
Finance

2/20/2007

Arlene Rodriguez
Senior Accountant
Catholic Home Bureau
1011 First Avenue, 10th Floor
New York, New York 10022

RE: St James Residence

Dear Ms. Rodriguez,

We have enclosed the Closeout Statement for the non-contracted Billing Site for Fiscal Year 2006 which includes payments from July 1, 2005 to June 30, 2006.

We have reviewed your final requests for payment for FY 06.

-- Final Payment from DHS to provider \$7,840.56
___ Provider owes DHS _____

Please review the Closeout Statement as soon as possible. In accordance with the payment procedures page 5, section 7, you the Provider must review the Close-out statement and report in writing to Finance any discrepancies with our records within 14 days of the date of the statement. You must ensure that the final billing is correct. Expenses submitted to DHS after the completion of the close-out may not be reimbursed.

As part of the Department's responsibility as a pass-through entity, DHS is required to ensure that providers have met the federal audit requirements. Non-federal entities expending \$300,000 a year or more in federal funds, whether received exclusively from DHS or a combination federal funding sources, are required to undergo an A-133 Single Audit. If you received Emergency Shelter Grant (ESG) it is a Federal funding source and the amount of expenditures reimbursed by DHS for this contract ("Amount Paid") in NYC FY 06 are enclosed: The CFDA for ESG is 14.231. Please furnish your CPA with this information so it may be used to determine whether your agency is subject to an A-133 single Audit.

Prepared by: Joseph Mathis

Tel. #: (212) 361-7435

Date: 2/20/2007

FY06 RATE-BASED CLOSE-OUT STATEMENT

Provider Name: Catholic Home Bureau
Program: St James Residence

Contract #: Billing
Fiscal Officer: Arlene Rodriguez
Budget: \$602,344
Budget remain \$7,840.56

OIT Billing Payments

Billing Period	Amount Paid	Payment Verification		Sub Total	Adjustments*	NG- Paid	Comments
		Care Days	Rate				
Bal due Prior Yr				\$0.00	\$0.00	\$0.00	
Advance				\$0.00	\$0.00	\$0.00	
July	\$50,718.79	589	\$86.11	\$50,718.79	\$0.00	\$50,718.79	
August	\$50,460.46	586	\$86.11	\$50,460.46	\$0.00	\$50,460.46	
September	\$48,566.04	564	\$86.11	\$48,566.04	\$0.00	\$48,566.04	
October	\$50,202.13	583	\$86.11	\$50,202.13	\$0.00	\$50,202.13	
November	\$49,082.70	570	\$86.11	\$49,082.70	\$0.00	\$49,082.70	
December	\$50,718.79	589	\$86.11	\$50,718.79	\$0.00	\$50,718.79	
January	\$50,632.68	588	\$86.11	\$50,632.68	\$0.00	\$50,632.68	
February	\$45,810.52	532	\$86.11	\$45,810.52	\$0.00	\$45,810.52	
March	\$50,288.24	584	\$86.11	\$50,288.24	\$0.00	\$50,288.24	
April	\$48,479.93	563	\$86.11	\$48,479.93	\$0.00	\$48,479.93	
May	\$50,718.79	589	\$86.11	\$50,718.79	\$0.00	\$50,718.79	
June	\$48,824.37	567	\$86.11	\$48,824.37	\$0.00	\$48,824.37	
Total	\$594,503.44	6,904		\$594,503.44	\$0.00	\$594,503.44	

* Negative numbers are additions that increase the amount of the payment.

Total FY06 Allowable Expenses:	\$602,344.00
Adjustments to Expenses (see Comments):	\$0.00
Total Adjusted Expenses:	\$602,344.00
Less Funds Recouped from Prior Years (see comments):	\$0.00
Total Adjusted Expenses Less Recoupments:	\$602,344.00
Less Amount Paid July - May:	\$594,503.44
Amount Due to Provider/(from Provider):	\$7,840.56

Amount Paid July - May:	\$594,503.44
Close-Out Payment:	\$7,840.56
Total Payments for FY06:	\$602,344.00

** Total Payments should equal Total Adjusted Expenses Less Recoupments.
*** Amount Due to Provider should be the same as the Close-Out Payment

Funding	Expense	% Federal	Amt. Fed.	CFDA#
Source	DHS Exp from Exp Rpt		\$602,344.00	
	Less Adj to Exp from Adv		\$0.00	
DHS	Total DHS	34.00%	\$ 204,796.96	93.558

Comments:

Adjustment Notes:

Prepared by: Joseph R. Mathis  2/20/2007

Providers must review the Close-out Statement and report to Finance any discrepancies with their records in writing within 14 days of receipt of the statement.

As part of the Department's responsibility as a pass-through entity, DHS is required to ensure that providers have met the federal audit requirements.

Non-federal entities expending \$300,000 a year or more in federal funds, whether received exclusively from DHS or a combination of federal funding sources are required to undergo an A-133 Single Audit. The Federal government reimburses DHS for a percentage of its family shelter costs.

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DHS B-4374
P: 01/23/2007 09:15:00 AM EST (GMT-5:00) [REVISED] FROM REVISED: 01/23/2007 09:15:00 AM EST (GMT-5:00) [REVISED]
01/23/07

NEW YORK CITY DEPARTMENT OF HOMELESS SERVICES
FY 06 CLOSE-OUT BUDGET MOD/EXPENSE FORM
NON-GRANT (REVISED)

Agency/Provider: Catholic Home Bureau
Program/Facility: St. James Residence
Date: 1/23/2007

1 PERSONNEL SERVICES (PS)	ORIGINAL BUDGET		LAST APPROVED BUDGET		CLOSE-OUT REQUESTED		DHS APPROVAL	
	(Approved in Annual Review)	BUDGET	\$ CHANGE FROM ORIGINAL	% CHANGE OF \$ AMT FROM ORIGINAL	CLOSE-OUT REQUESTED	\$ CHANGE FROM ORIGINAL BUDGET	% CHANGE FROM ORIGINAL BUDGET	REASON FOR DISALLOWANCE
Administration	\$56,837	\$56,837	\$0	0%	\$56,837	\$0	0%	
Counseling	\$66,700	\$66,700	\$0	0%	\$66,700	\$0	0%	
Child Care (For 7x only)	0	0	0	0%	0	0	0%	
Respite	0	0	0	0%	0	0	0%	
Direct Care	\$143,919	\$143,919	\$0	0%	\$143,919	\$0	0%	
Security	\$0	\$0	\$0	0%	\$0	\$0	0%	
Meals	\$0	\$0	\$0	0%	\$0	\$0	0%	
MVO	\$12,212	\$12,212	\$0	0%	\$12,212	\$0	0%	
Kitchen	\$0	\$0	\$0	0%	\$0	\$0	0%	
TOTAL PERSONNEL SERVICES	\$293,756	\$293,756	\$0	0%	\$293,756	\$0	0%	
FRINGE BENEFITS	\$64,027	\$64,027	\$0	0%	\$64,027	\$0	0%	
% of the Fringe Benefits	21.8%	21.8%	\$0	0%	21.8%	\$0	0%	
TOTAL FS	\$357,783	\$357,783	\$0	0%	\$357,783	\$0	0%	
OTHER THAN PERSONNEL SERVICE								
Office Equipment	\$1,317	\$1,317	\$0	0%	\$1,317	\$0	0%	
Client Supplies/Furniture	\$1,124	\$1,124	\$0	0%	\$1,124	\$0	0%	
Client Transportation	\$1,581	\$1,581	\$0	0%	\$1,581	\$0	0%	
Client Supplies	\$0	\$0	\$0	0%	\$0	\$0	0%	
Utilities	\$13,554	\$13,554	\$0	0%	\$13,554	\$0	0%	
Office Expenses	\$9,859	\$9,859	\$0	0%	\$9,859	\$0	0%	
Professional Costs	\$0	\$0	\$0	0%	\$0	\$0	0%	
Maintenance/Repair	\$33,469	\$33,469	\$0	0%	\$33,469	\$0	0%	
Mechanical System Contracts	\$1,560	\$1,560	\$0	0%	\$1,560	\$0	0%	
Fund	\$48,513	\$48,513	\$0	0%	\$48,513	\$0	0%	
Contracted Security	\$0	\$0	\$0	0%	\$0	\$0	0%	
Vehicle Expenses	\$0	\$0	\$0	0%	\$0	\$0	0%	
TOTAL OTS	\$114,824	\$114,824	\$0	0%	\$114,824	\$0	0%	
TOTAL OTS	\$114,824	\$114,824	\$0	0%	\$114,824	\$0	0%	

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NEW YORK CITY DEPARTMENT OF HOMELESS SERVICES: FY 06 CLOSE-OUT BUDGET MODIEXPENSE FORM

Agency/Provider	Catholic Home Bureau	Program/Facility	St. James Residence
V TOTAL FS & OTIS (III + IV)	\$172,317	\$556,411	\$85,114
VI ADMINISTRATIVE OVERHEAD	\$24,620	\$45,315	\$10,165
% of Administrative Overhead	14.29%	8.15%	11.82%
VII RENT	\$45,000	\$0	\$0
VIII TOTAL (without Debt Service) (V + VI + VII)	\$216,937	\$556,411	\$85,114
IX START UP	\$0	\$0	\$0
X DEBT SERVICE AMORTIZATION	\$0	\$0	\$0
XI GROSS AMOUNT (VIII + IX + X)	\$216,937	\$556,411	\$85,114
XII ACCRUALS (Max 5% of Total Funding - DHS Funding)	\$0	\$0	\$0
XIII REVENUE	\$0	\$0	\$0
XIV DHS FUNDING APPROVED IN ANNUAL REVIEW	\$216,937	\$556,411	\$85,114
XV AMENDMENTS			
Performance Incentive	\$0	\$0	\$0
Amend #1 Specify	\$0	\$0	\$0
Amend #2 Specify	\$0	\$0	\$0
TOTAL AMENDMENTS	\$0	\$0	\$0
XVI TOTAL FY 06 DHS FUNDING (XIV + XV)	\$216,937	\$556,411	\$85,114
FUNDING TYPE			
DHS DIRECT	\$216,937	\$556,411	\$85,114
SSG	\$0	\$0	\$0
MR	\$0	\$0	\$0
CITY COUNCIL	\$0	\$0	\$0
TOTAL FUNDING	\$216,937	\$556,411	\$85,114

TYPE OF SUBMISSION

Modification Requiring Department Approval
 DHS Program Representative
 DHS Budget
 Repair/Requiring no Approval

Date: 12/07
 Date: 1/31/07

DHS Program Representative: [Signature]
 Date: _____
 DHS Budget: _____
 Date: _____

DISTRIBUTION DATE:

Agency: _____
 Audit: _____
 Budget: _____
 Finance: _____
 Program: _____

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09/08/06

FY 2006 CLOSEOUT ANNUAL EXPENDITURE REPORT

Facility:
 Address:
 Provider:
 Facility Type:
 Number of Clients/Families:

ST. JAMES RESIDENCE
 47 MADISON AVE, NEW YORK, NY 10038
 CATHOLIC HOME BUREAU
 ADULT SHELTER
 19

	Annual Budget			A	B	C=A+B
	FTE'S	Salary	Total	Total Annual Budget	YTD Actual Expenses	YTD Variance Budget vs. Expenses
SHELTER DIRECTOR	1.0	\$53,552	\$53,552	\$53,552	\$53,552	\$0
SECRETARY	0.5	\$41,448	\$20,724	\$20,724	\$20,724	\$0
	0.0	\$0	\$0	\$0	\$0	\$0
Subtotal Administration	1.5		\$74,276	\$74,276	\$74,276	\$0
SR. SOCIAL WORKER	1.0	\$41,939	\$41,939	\$41,939	\$41,541	(\$398)
JR. SOCIAL WORKER	1.0	\$40,285	\$40,285	\$40,285	\$38,779	(\$506)
	0.0	\$0	\$0	\$0	\$0	\$0
	0.0	\$0	\$0	\$0	\$0	\$0
Subtotal Soc.Svcs/Counseling	2.0		\$82,224	\$82,224	\$81,320	(\$904)
	0.0	\$0	\$0	\$0	\$0	\$0
	0.0	\$0	\$0	\$0	\$0	\$0
	0.0	\$0	\$0	\$0	\$0	\$0
Subtotal Child Care (Tier III only)	0.0		\$0	\$0	\$0	\$0
	0.0	\$0	\$0	\$0	\$0	\$0
	0.0	\$0	\$0	\$0	\$0	\$0
	0.0	\$0	\$0	\$0	\$0	\$0
Subtotal Recreation	0.0		\$0	\$0	\$0	\$0
	0.0	\$0	\$0	\$0	\$0	\$0
	0.0	\$0	\$0	\$0	\$0	\$0
	0.0	\$0	\$0	\$0	\$0	\$0
Subtotal Direct Care	0.0		\$0	\$0	\$0	\$0
SR. HOUSE MONITOR	2.0	\$27,149	\$4,295	\$4,295	\$53,444	(\$851)
JR. HOUSE MONITOR	2.0	\$23,443	\$48,886	\$48,886	\$46,181	(\$885)
SR. WEEKEND HOUSE MONITOR	0.0	\$29,404	\$23,523	\$23,523	\$23,251	(\$272)
JR. WEEKEND HOUSE MONITOR	0.8	\$17,879	\$14,303	\$14,303	\$14,253	(\$50)
PER DIEM HOUSE MONITORS	0.8	\$19,354	\$15,491	\$15,491	\$15,491	\$0
Subtotal Security	6.4		\$154,498	\$154,498	\$162,630	(\$1,868)
HOUSEKEEPER	0.5	\$24,570	\$12,285	\$12,285	\$12,285	\$0
	0.0	\$0	\$0	\$0	\$0	\$0
	0.0	\$0	\$0	\$0	\$0	\$0
Subtotal Maintenance	0.5		\$12,285	\$12,285	\$12,285	\$0
	0.0	\$0	\$0	\$0	\$0	\$0
	0.0	\$0	\$0	\$0	\$0	\$0
	0.0	\$0	\$0	\$0	\$0	\$0
Subtotal MVO	0.0		\$0	\$0	\$0	\$0
COOK	0.5	\$9,760	\$9,880	\$9,880	\$9,547	(\$333)
COOK WEEKEND	0.2	\$8,000	\$1,600	\$1,600	\$1,600	\$0
	0.0	\$0	\$0	\$0	\$0	\$0
Subtotal Kitchen	0.7		\$11,480	\$11,480	\$11,147	(\$333)
Subtotal PS	11.1		\$334,760	\$334,760	\$331,656	(\$3,107)
Fringe	20.67%		\$69,181	\$69,181	\$79,849	\$10,668
TOTAL PS			\$403,941	\$403,941	\$411,505	\$7,564

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FY 2006 CLOSEOUT ANNUAL EXPENDITURE REPORT

Facility:

ST. JAMES RESIDENCE

OIPS	A		YTD TOTAL Expenses	C=A+B YTD Variance Budget vs. Expenses
	Annual Budget	Total Budget		
Office Equipment Purchase/Rental and Replacement	\$3,947	\$3,947	\$3,947	\$0
Office Furniture Replacement and Purchase	\$800	\$800	\$800	\$0
Copier	\$0	\$0	\$0	\$0
Fax	\$0	\$0	\$0	\$0
Subtotal Office Equipment	\$4,747	\$4,747	\$4,747	\$0
Laundry and Replacement Linen	\$0	\$0	\$0	\$0
Client Furniture (Purchase and Replacement)	\$0	\$0	\$0	\$0
Client Supplies	\$2,536	\$2,536	\$2,536	\$0
Program Supplies	\$0	\$0	\$0	\$0
Subtotal Client Supplies/Furniture	\$2,536	\$2,536	\$2,536	\$0
Client Transportation	\$556	\$556	\$556	\$0
Client Stipends	\$0	\$0	\$0	\$0
Telephone	\$5,382	\$5,382	\$5,382	\$0
Electricity	\$12,548	\$12,548	\$12,548	\$0
Oil/Gas	\$1,470	\$1,470	\$1,500	\$30
Water/Sewer	\$0	\$0	\$0	\$0
Subtotal Utilities	\$19,400	\$19,400	\$19,431	\$31
Office Supplies	\$4,586	\$4,586	\$4,586	\$0
Postage	\$152	\$152	\$152	\$0
Insurance	\$0	\$0	\$22,736	\$22,736
Recruitment and Advertising	\$0	\$0	\$0	\$0
Staff Training	\$0	\$0	\$0	\$0
Staff Transportation	\$417	\$417	\$417	\$0
Subtotal Office Expenses	\$5,138	\$5,138	\$27,871	\$22,736
Accounting and Legal	\$0	\$0	\$0	\$0
Audit	\$0	\$0	\$0	\$0
Consultants	\$0	\$0	\$0	\$0
Medical	\$0	\$0	\$0	\$0
Subtotal Professional Costs	\$0	\$0	\$0	\$0
Maintenance Equipment Replacement	\$3,156	\$3,156	\$4,109	\$953
Office Equipment repair	\$2,450	\$2,450	\$3,000	\$550
Miscellaneous repairs (Directly Paid)	\$13,234	\$13,234	\$16,623	\$3,389
Miscellaneous repairs (Contracted)	\$0	\$0	\$0	\$0
Maintenance Supplies	\$12,937	\$12,937	\$16,405	\$3,468
Janitorial Supplies	\$0	\$0	\$0	\$0
Subtotal Maintenance/Repair	\$31,777	\$31,777	\$39,186	\$7,418
HVAC System Maintenance	\$0	\$0	\$0	\$0
Plant/Bolter Maintenance	\$0	\$0	\$0	\$0
Emergency Generator Maintenance	\$0	\$0	\$0	\$0
Fire Detection/Suppression/Control Station	\$0	\$0	\$0	\$0
Extermination	\$1,960	\$1,960	\$2,636	\$676
Elevator Maintenance	\$0	\$0	\$0	\$0
Subtotal Mechanical System Contracts	\$1,960	\$1,960	\$2,636	\$676
Food	\$48,513	\$48,513	\$49,951	\$1,438
Contracted Security	\$0	\$0	\$0	\$0
Vehicle Rental	\$0	\$0	\$0	\$0
Vehicle Insurance	\$0	\$0	\$0	\$0
Gasoline	\$0	\$0	\$0	\$0
Vehicle Maintenance and Repair	\$0	\$0	\$0	\$0
Subtotal Vehicle Expenses	\$0	\$0	\$0	\$0
TOTAL OIPS	\$114,824	\$114,624	\$146,824	\$32,300
TOTAL PS & OIPS	\$518,585	\$518,066	\$556,428	\$39,861
Administrative Overhead	\$26,856	\$26,856	\$43,825	\$16,969
Rent	\$45,000	\$45,000	\$45,000	\$0
Amendment(Performance Incentive)	\$11,923	\$11,923	\$11,923	\$0
TOTAL (without Debt Service) OPERATING BUDGET	\$602,344	\$602,344	\$659,177	\$56,830
Start Up	\$0	\$0	\$0	\$0
Debt Service Amortization	\$0	\$0	\$0	\$0
GROSS AMOUNT	\$602,344	\$602,344	\$659,177	\$56,830
Accruals (Max 5% of DHS Funding)	\$0	\$0	\$0	\$0
Revenue	\$0	\$0	\$0	\$0
TOTAL FY 06 DHS FUNDING	\$602,344	\$602,344	\$659,177	\$56,830

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09/08/06

Facility: ST. JAMES RESIDENCE

	7/05-6/06 Actual	7/05-6/06 Total
ADVANCES RECEIVED FROM DHS	0	0
PER DIEM RATE	\$78.12	\$78.12
CARE DAYS	6,900	6,900
AMOUNT CLAIMED FROM DHS	\$539,028	\$539,028
ADJUSTMENTS MADE TO CLAIMED	0	0
AMOUNT RECEIVED FROM DHS NOT INCLUDING ADVANCES	\$945,679	\$945,679

TOTAL PROGRAM EXPENSES - 07/01/05 TO 06/30/06	\$889,177
ANNUAL REVIEW APPROVED BUDGET AMOUNT FOR FY-2005/06	\$603,884
[+]BUD MOD BUDGET-[2% Baseline Increase Cola FY06]	\$6,437
[+]PERFORMANCE INCENTIVE	\$11,823
LAST MOD APPROVED BUDGET AMOUNT FOR FY-2005/06 **TOTAL ALLOWABLE EXPENSES**	\$602,344
TOTAL PROGRAM SURPLUS OR (DEFICIT)	(\$56,830)
TOTAL AMOUNT RECEIVED FROM DHS - 07/01/05 TO 06/30/06	\$945,679
[+] AMOUNT RECEIVED AFTER 7/1/06	\$48,824
TOTAL RECEIVED FROM DHS	\$994,503
TOTAL AMOUNT DUE FROM/(TO) DHS FOR FY-2005/06 CLOSE-OUT	\$7,841

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New York City Department of Homeless Services

Page ___ of ___

Response Date: 6/6/07

AUDIT TITLE: Billing System & MEA

AUDITING AGENCY: Comptroller

DRAFT REPORT DATE: 6/1/07

AUDIT NUMBER: ME07-073A

Audit Recommendation

#13 Promptly obtain identified recoupments upon completion of year-end closeout statements.

Category of Response:


A - Implemented

Response To Recommendation

DHS has taken steps to recoup all closeout payments due and will ensure prompt recoupment at each year-end if necessary.

Implementation Date

RESPONSIBILITY CENTER

Signature: 

Print Name: **Steve Bass**

6/12/07
Date

Print Title: **Assistant Commissioner/Finance**

Categories of Responses
A- Implemented
B- Partially implemented
C- Implementation is pending
D- Agrees and will not implement
E- Disagrees and will not implement

New York City Department of Homeless Services

Page 3 of 4

Response Date: 6/11/07

AUDIT TITLE: _____

AUDITING AGENCY: _____

DRAFT REPORT DATE: _____

AUDIT NUMBER: _____

Audit Recommendation

#14: DHS should determine whether a contract with the St. James shelter is appropriate.

Category of Response:

A - Implemented

Response To Recommendation

As noted in the audit report, the St. James Shelter is the one and only current shelter within the Adult shelter system that is paid on a per diem basis. All other shelters are under contract, and paid through FMS, a system we agree has the appropriate internal controls. Given the current and consistent reductions in the Adult shelter system census, DHS has determined that the St. James Shelter should be terminated because it is not a cost-effective model given its current budget and capacity. It is the goal of the Agency and DHS' Shelter Take-down Plan to continuously examine opportunities to reinvest shelter dollars to focus on initiatives related to permanency. For these reasons, DHS will not pursue a contract with the St. James Shelter, as recommended.

Implementation Date

RESPONSIBILITY CENTER

Signature: 

Print Name: GEORGE NAIMAN

6/13/07
Date

Print Title: Acting Director

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

New York City Department of Homeless Services

Audit Implementation Plan Category A-4

Page 4 of 4

Response Date: 6/11/07

AUDIT TITLE: _____

AUDITING AGENCY: _____

DRAFT REPORT DATE: _____

AUDIT NUMBER: _____

Audit Recommendation

#15: Until a contract is in place, pay the St. James Shelter using purchase orders and regular payment vouchers processed through FMS.

Category of Response:

E - Disagrees, and will not implement

Response To Recommendation

As stated in the response above, DHS has determined that it will not pursue a contract with the St. James Shelter. DHS will more closely monitor payments to this provider to avoid any future overpayments during the time period before termination. It is estimated that the termination will occur by the end of the calendar year. It should be noted that the FY05 and prior recoupments have been arranged on a payment schedule and are current, and there were no FY06 overpayments.

Implementation Date

RESPONSIBILITY CENTER

Signature: _____

GEORGE NAGAR

Print Name:

Print Title:

ACCOM. Dir. COMM. A/C FINANCE

STEVE BOKS

STEVE BOKS

6/12/07

Date

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

New York City Department of Homeless Services

Page 1 of 1

Response Date: June 13, 2007

AUDIT TITLE: Audit Report on the Department of Homeless Services
Administration Of Its Billing System and Miscellaneous Expense
Accounts

AUDITING AGENCY: New York City Office of the Comptroller Bureau of Management
Audit

DRAFT REPORT DATE: June 1, 2007

AUDIT NUMBER: ME07-073A

Audit Recommendation

DHS should:

- 16. Ensure that its imprest fund Custodian Directory is regularly updated to reflect changes in authorized personnel.

Category of Response:

A - Implemented

Response To Recommendation

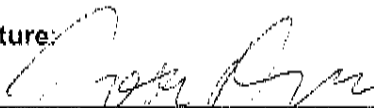
DHS currently updates the Custodian Directory as needed. During fiscal year 2006 shelters were closed and Custodians relocated to other shelters. This resulted in several updates to the Custodian Directory. The auditors requested the Custodian Directory as of June 30, 2006. Any differences found by the auditors for Custodians not appearing on the June 30th directory, or others appearing in different shelters than the transactions identified from earlier in the year were all due to reassignments and closings. The Directory was correct at the time for the related transactions.

Implementation Date

RESPONSIBILITY CENTER

Finance

Signature

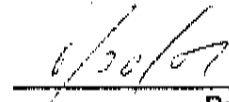


Print Name:

Joseph Brown

Print Title:

Director, Imprest and Accounting Services



Date

New York City Department of Homeless Services

Page 1 of 1

Response Date: June 13, 2007

AUDIT TITLE: Audit Report on the Department of Homeless Services Administration
Of Its Billing System and Miscellaneous Expense Accounts

AUDITING AGENCY: New York City Office of the Comptroller Bureau of Management Audit

DRAFT REPORT DATE: June 1, 2007

AUDIT NUMBER: ME07-073A

Audit Recommendation

DHS should:

- 17. Ensure that authorized alternates are properly identified in the Custodian Directory.

Category of Response:

A - Implemented

Response To Recommendation

DHS has appropriate safeguards in place for Custodian alternates and has procedures that ensure that authorized alternates are properly identified in the Custodian Directory.

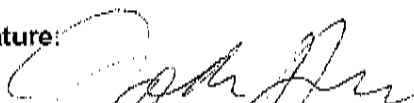
"At the Custodian's request, replenishment checks may be made out to the Custodian or an alternate designated by the Custodian," page 33, SIF Procedure Manual – Chapter V. The procedures allow for the Custodian to resolve an unforeseeable need for the cashing of replenishment checks. The Imprest Unit maintains a check-cashing directory as well as a file of sample signatures for all alternate payees.

Implementation Date

RESPONSIBILITY CENTER

Finance

Signature:



Print Name:

Joseph L. Brown

Print Title:

Director, Imprest and Accounting Services

6/20/07

Date

New York City Department of Homeless Services

Page 1 of 1

Response Date: June 13, 2007

AUDIT TITLE: Audit Report on the Department of Homeless Services Administration
Of Its billing System and Miscellaneous Expense Accounts

AUDITING AGENCY: New York City Office of the Comptroller Bureau of Management Audit

DRAFT REPORT DATE: June 1, 2007

AUDIT NUMBER: ME07-073A

Audit Recommendation

DHS should:

- 18. Ensure that checks are written only to those individuals listed on the Custodian Directory and only for the shelters to which they are assigned.

Category of Response:

A - Implemented

Response To Recommendation

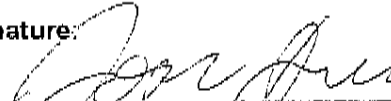
DHS currently ensures that checks are written to and cashed only by Custodians or Custodian alternate payees.

The audit refers to a reassigned Custodian, not a Custodian in more than one shelter. At the time the check for shelter A was picked up, the Custodian was the Custodian of record at that time. The shelter later closed, and the Custodian was then listed as the custodian of the re-assigned shelter B — not two shelters at the same time.

Implementation Date

RESPONSIBILITY CENTER

Finance

Signature: 

Print Name: Joseph Bruno

Print Title: Director, Support/Accounting Services

6/20/07

Date

New York City Department of Homeless Services

Page 1 of 1

Response Date: June 13, 2007

AUDIT TITLE: Audit Report on the Department Of Homeless Services Administration
Of Its Billing System and Miscellaneous Expense Accounts

AUDITING AGENCY: New York City Office of the Comptroller Bureau of Management Audit

DRAFT REPORT DATE: June 1, 2007

AUDIT NUMBER: ME07-073A

Audit Recommendation # 19

Identify all of its 1099-reportable per diem providers.

Category of Response:

C – Implementation is pending

Response To Recommendation

DHS will send City of New York Substitute Form W-9: Request For Taxpayer Identification Number and Certification to all billing vendors. Based upon information on the W-9, DHS will identify 1099-reportable per diem providers.

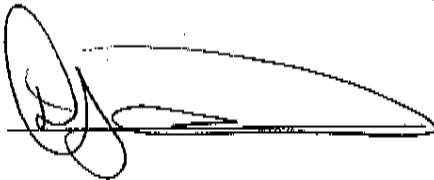
Implementation Date

August 1, 2007

RESPONSIBILITY CENTER

Billing Unit/Family Services

Signature:



Print Name: Douglas Sherman

Date: June 13, 2007

Print Title: Director of Intake Support, Family Services

New York City Department of Homeless Services

Page ___ of ___

Response Date: June 8, 2007

AUDIT TITLE: Audit Report on the Department of Homeless Services Administration of Its Billing System and Miscellaneous Expense Accounts

AUDITING AGENCY: Office of the Comptroller

DRAFT REPORT DATE: June 1, 2007

AUDIT NUMBER: ME07-073A

Audit Recommendation #20

Report its payments to 1099 – reportable per diem providers in a format acceptable to FISA.

Category of Response:

C – Implementation Is pending

Response to Recommendation #20

DHS OIT will incorporate tracking 1099 reportable per diem providers in its billing system and will report all payments made in the correct format provided by FISA.

Implementation Date

Calendar year 2007

RESPONSIBILITY CENTER

OIT

D. Kulkarni

Signature:

DILIP KULKARNI

Print Name:

6/12/07

Date

Print Title: CIA