

AUDIT REPORT

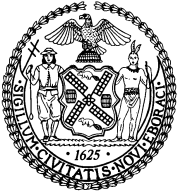


CITY OF NEW YORK
OFFICE OF THE COMPTROLLER
BUREAU OF FINANCIAL AUDIT
WILLIAM C. THOMPSON, JR., COMPTROLLER

Audit Report on the Compliance of the Human Resources Administration With Purchasing Directives

FP08-122A

June 30, 2009



THE CITY OF NEW YORK
DEPARTMENT 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 Comptroller's responsibilities contained in Chapter 5, §93, of the New York City Charter, my office has audited the compliance of the Human Resources Administration (HRA) with purchasing directives.

HRA serves more than three million New Yorkers through essential and diverse programs such as temporary cash assistance, public health insurance, food stamps, home care for seniors and the disabled, child care, adult protective services, domestic violence, HIV/AIDS support services, child support enforcement, and other income support services. We audit City agencies such as this as a means of ensuring that they comply with applicable procedures and are accountable for City funds and resources.

The results of our audit, which are presented in this report, have been discussed with the Human Resources Administration officials, and their comments have been considered in the preparation of 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/fh

Report: FP08-122A
Filed: June 30, 2009

Table of Contents

AUDIT REPORT IN BRIEF	1
Audit Findings and Conclusions	1
Audit Recommendations	2
INTRODUCTION	3
Background	3
Objectives	3
Scope and Methodology	3
Discussion of Audit Results	4
FINDINGS AND RECOMMENDATIONS	6
HRA Inappropriately Used Purchase Orders Instead Of Contracts To Procure and Pay for Services	6
Recommendations	8
HRA Did Not Register a MOU	10
Recommendation	10
ADDENDUM Response from Human Resources Administration	

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

**Audit Report on the
Compliance of the Human Resources Administration
With Purchasing Directives**

FP08-122A

AUDIT REPORT IN BRIEF

This audit determined whether the Human Resources Administration (HRA) complied with certain purchasing procedures as set forth in the New York City Charter, applicable Procurement Policy Board (PPB) rules, and the New York City Comptroller's Internal Control and Accountability Directive #24, "Agency Purchasing Procedures and Controls."

Audit Findings and Conclusions

HRA generally did not adhere to Comptroller's Directive #24, the City Charter, and applicable Procurement Policy Board rules in two major areas.

1. HRA did not enter into contracts for purchases of services when required, in violation of the City Charter, PPB rules, and Comptroller's Directive #24. Instead HRA used Purchase Orders to process payments for these services, which totaled \$145,809,224.
2. HRA did not register a Memorandum of Understanding (MOU) with the New York City Comptroller's Office, in violation of the City Charter and PPB rules. HRA paid a total of \$35,734,637 to the New York City Housing Authority (NYCHA) for providing the Job Opportunity Program, community center programs, and summer employment programs without having registered the MOU with the Comptroller's Office.

Except for the above issues, we found that:

- Sampled vouchers and purchase documents were properly approved and authorized.
- Appropriate documentation was maintained to support the sampled vouchers.
- Sampled invoices were on file to substantiate the amount paid.

- Purchase files contained documentation indicating that goods and services were actually received.
- The drug rehabilitation centers we visited were adequately maintained.

In addition, our examination of OTPS expenditures by HRA disclosed no instances in which monies were improperly used.

Audit Recommendations

We make the following five recommendations, that HRA:

- Ensure that it follows the City Charter and PPB rules when purchasing services by entering into formal contracts with these vendors.
- Discontinue using POs to procure services.
- Register all these contracts and purchases with the Comptroller's Office, as required by the City Charter.
- Ensure that it adheres to provisions of Comptroller's Directive #24 by using the correct purchase document when processing payments through FMS.
- Present its MOUs to the Comptroller's Office for registration.

INTRODUCTION

Background

The Human Resources Administration serves more than three million New Yorkers through essential and diverse programs. Services provided through the HRA Department of Social Services include: temporary cash assistance, public health insurance, food stamps, home care for seniors and the disabled, child care, adult protective services, domestic violence, HIV/AIDS support services, child support enforcement, and other income support services.

HRA coordinates services for its clients with medical, mental health, or substance abuse disorders. The clinical programs help clients to achieve their maximum functional capacity and become self-sufficient. Through its public, private, and not-for-profit initiatives, HRA serves consumers by removing barriers to employment and fostering self-sufficiency.

During Fiscal Year 2007, HRA used purchase orders to make Other Than Personal Service (OTPS) expenditures for social services programs totaling approximately \$4.9 billion.

Objectives

The objective of this audit was to determine whether the Human Resources Administration is complying with certain purchasing procedures, as set forth in the New York City Charter, applicable Procurement Policy Board rules, and the New York City Comptroller's Internal Control and Accountability Directive #24, "Agency Purchasing Procedures and Controls."

Scope and Methodology

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives. This audit was conducted in accordance with the audit responsibilities of the City Comptroller as set forth in Chapter 5, §93 of the New York City Charter.

This audit covered the period July 1, 2006, through June 30, 2007.

To obtain an understanding of the purchasing procedures and regulations with which HRA is required to comply, we reviewed relevant provisions of the New York City Charter, Comptroller's Directive #24 and applicable Procurement Policy Board (PPB) rules. We interviewed HRA staff to obtain an understanding and to identify the controls over purchasing procedures.

Tests of Compliance with Comptroller's Directive #24 and PPB Rules

HRA used Purchase Orders (POs) to make expenditures totaling approximately \$4.9 billion during Fiscal Year 2007 and charged to 15 different object codes. Three of the object codes (518, 519, and 647) were identified as New York City payments to New York State for the City's statutory share of Medicaid expenses. These represented some \$4.7 billion of the \$4.9 billion dollars.

We initially selected a random sample of five purchases (PO line items) from each object code (two object codes had just one purchase each) to obtain an understanding of HRA's compliance procedures and to test those procedures. Upon review of the information, we determined that several of the object codes had fewer than 10 purchases. We decided to select for detailed review all of the purchases in those object codes that had fewer than 10 purchases. Our sample included 53 POs totaling \$246,180,949. Some of these POs represented City payments for its share of Medicaid expenses, while other POs represented direct payments to third-party vendors.

We examined 77 of the 1,706 purchases included in the above POs and their corresponding vouchers. Each purchase and voucher was examined for the requisite approvals and authorizations, for evidence that the transactions were for proper business purposes, and for adequate documentation. It was also determined whether the proper purchase document was used to initiate the purchase of goods or services. Each of the vouchers was examined to ascertain whether it was properly coded, whether an authorized purchase document was on file, whether sales and excise taxes, if applicable, were properly excluded from payments, and whether bids were obtained when required by PPB rules.

We made unannounced visits to nine of the privately-owned drug rehabilitation centers included in our sample to confirm that they were in existence and in good repair.

The results of the above tests, while not projectable to all payment vouchers processed during the audit periods, provided a reasonable basis to assess HRA's compliance with the applicable provisions of Comptroller's Directives #24 and PPB rules.

Discussion of Audit Results

The matters covered in this report were discussed with HRA officials during and at the conclusion of this audit. A preliminary draft report was sent to HRA officials and was discussed at an exit conference held on June 2, 2009. On June 9, 2009, we submitted a draft report to HRA officials with a request for comments.

We received a written response from HRA on June 26, 2009. HRA officials disagreed with the findings and recommendations of this report. HRA officials disagreed that HRA inappropriately used purchase orders to procure and pay for services. They contend that the payment to "residential treatment providers for shelter and personal needs allowances; correctional facilities for prison nurseries; out-of-county shelters to serve City clients; shelters serving victims of domestic violence are all made using rates established by the State" therefore,

they believe these payments are not procurements. They base their flawed premise on the fact that HRA is legally bound to pay the rates determined by State law and that HRA is therefore not required to execute a contract to purchase these services. We disagree that these payments are not City procurements since the payments are being made from the City treasury. Moreover, the City Charter and PPB rules do not specify that purchases made based on rates established by New York State Social Service Law or that payments made on behalf of clients may be procured without a contract or be paid for through the issuance of a purchase order.

If HRA's argument had merit, why does the City enter into contracts with certain foster care and preventive care service providers? The State mandates the rates for foster care and preventive care services, and the City must pay the providers based on the rates established under State law. But, in regard to foster care group homes and certain preventive care service providers, the City enters into contracts with the vendors of these services and registers the contracts with the Comptroller's Office.

There are many advantages to having formalized contracts for City services. Contracts stipulate the obligations of both parties, the services to be provided, and the price for such services, and they generally give recourse for noncompliance, including providing the City with liquidated damages for nonperformance. A contract also provides performance measures that must be adhered to by the vendor, and provisions for the oversight, monitoring and/or audit of the vendor's contract compliance. In the absence of contracts to procure these services, it may be difficult, if not impossible, for HRA to determine if it is receiving the services for which it is paying. Continuing to bypass use of formal contracts is not in the best interest of the City and it violates the City Charter and PPB rules.¹

The full text of HRA's comments is included as an addendum to this report.

¹ Section 333 of the City Charter that requires the "Evaluation and monitoring of contractor performance. . . . Each agency letting contracts shall monitor the performance of every contractor." Section 4-01 of the PPB rules also requires that the contracting agencies evaluate, monitor and document vendor performance.

FINDINGS AND RECOMMENDATIONS

HRA generally did not adhere to Comptroller's Directive #24, the City Charter, and applicable Procurement Policy Board rules in two major areas.

1. HRA did not enter into contracts for purchases of services when required, in violation of the City Charter, PPB rules, and Comptroller's Directive #24. Instead HRA used Purchase Orders to process payments for these services, which totaled \$145,809,224.
2. HRA did not register a Memorandum of Understanding with the New York City Comptroller's Office, in violation of the City Charter and PPB rules. HRA paid a total of \$35,734,637 to the New York City Housing Authority for providing the Job Opportunity Program, community center programs, and summer employment programs without having registered the MOU with the Comptroller's Office.

Except for the above issues, we found that:

- Sampled vouchers and purchase documents were properly approved and authorized.
- Appropriate documentation was maintained to support the sampled vouchers.
- Sampled invoices were on file to substantiate the amount paid.
- Purchase files contained documentation indicating that goods and services were actually received.
- The drug rehabilitation centers we visited were adequately maintained.

In addition, our examination of OTPS expenditures by HRA disclosed no instances in which monies were improperly used.

HRA Inappropriately Used Purchase Orders Instead Of Contracts To Procure and Pay for Services

Our review of the list of all purchases made by HRA using POs found that HRA violated the City Charter, PPB rules, and Comptroller's Directive #24 when purchasing services for clients. HRA did not enter into contracts for purchases of services. Instead, it incorrectly encumbered funds through POs and processed payments through the City's Financial Management System (FMS). HRA procured services and paid vendors a total of \$145,809,224 for the following services: 1) payments to residential treatment centers for services provided to substance abuse clients as well as personal-needs allowances for the clients' incidental needs, 2) payments to correctional facilities for prison nurseries, 3) payments to out-of-county shelters that served City clients, 4) payments to shelters serving victims of domestic violence, and 5) payments to vendors who provided housing to individuals and families with HIV-related illnesses.

HRA officials stated that they believe that HRA does not have to enter into competitive contracts for these services because the facilities are licensed and regulated by New York State. These officials also contend that HRA is under statutory obligation to make these payments at the rates of payment specified under State law.

However, the use of POs instead of contracts violates provisions in PPB rules. The services purchased from each of these vendors exceeded \$100,000, the maximum limit for small purchases and for the use of POs. Section 1-01 (e) of the PPB rules defines a PO and limits its use to purchases that do not exceed the small purchase limits of \$100,000. Section 1-01(e) defines a PO as “an official document of the City directing the vendor to perform. A purchase order formalizes a purchase transaction with a vendor for purchases generally at or below the small purchase limits unless the purchase order is placed against an existing contract.” Since HRA used POs to pay vendors for services in excess of the small purchase limits, it should have executed a formal contract and registered that contract with the Comptroller’s Office pursuant to §328 of the City Charter.

Chapter 13 of the City Charter requires that all services paid for out of the City treasury is procured in accordance with the Charter and the PPB rules. The Charter and the PPB rules require that any agreements for such services be in writing. Thus, both the Charter and the PPB rules explicitly require executed contracts or agreements and mandate that no such contract or agreement be implemented until the contract or agreement has been registered by the Comptroller. HRA’s payments to operators of the above-noted facilities for services provided to eligible recipients of public assistance come within the ambit of Chapter 13 of the Charter. Accordingly, such contracts or agreements should be competitively procured, where possible, memorialized in writing, and submitted to the Comptroller for registration in accordance with Chapter 13 and the PPB rules.

Further, HRA is in violation of Comptroller’s Directive #24 by using POs for purchasing these services. The services purchased from each of the vendors exceeded the \$10,000 limit that required HRA to enter into a contract according to §4.3 of Comptroller’s Directive #24. Moreover, §4.4.1 of Comptroller’s Directive #24 restricts the use of POs to non-procurement type expenditures, stating, “The Purchase Order Document (PO) should be used as a general agency encumbrance for special, non-procurement expenditures for which a contract or Purchase Document is not required. Appropriate uses of the PO include payments to union welfare funds, pension funds, major cultural institutions, and health insurance companies.” Clearly, HRA is purchasing various social services on behalf of its clients, which does not appear to be a permissible use of POs according to Comptroller’s Directive #24.

Lastly, HRA is in violation of the New York City Administrative Code §6116.2, which requires the Comptroller and the Mayor to jointly maintain, at the Financial Information Services Agency, a computerized data base. The data base contains information for every contract over \$10,000 for goods or services entered into by a City agency or a New York City affiliated agency. Since HRA did not enter into contracts there is no information in this data base on these purchases.

The Corporation Counsel's Office has previously opined that because the relevant services and reimbursements are both prescribed by statute, HRA is not required to have a contract to pay for them. However, the fact that the services and payments are statutorily required does not nullify or render irrelevant the procurement and contract requirements of the Charter and PPB rules, which mandate that all services (including those at issue here) paid out of the City treasury be competitively procured and memorialized in written agreements registered by the Comptroller.

The City Charter, PPB rules, and Comptroller's Directive #24 are designed, in part, to increase public confidence in City procurement procedures; enhance efficiency, economy, and flexibility in procurement; maximize the City's purchasing power; foster competition from all segments of the vendor community; safeguard the integrity of the procurement system and protect it from corruption, waste, fraud, and abuse; and ensure appropriate public access to contracting information. By not following the City Charter, PPB rules, and Comptroller's Directive #24 and ensuring that these services are competitively procured and memorialized in written agreements registered by the Comptroller, HRA is disregarding its responsibilities and neglecting its obligations to the City of New York.

Recommendations

1. HRA should ensure that it follows the City Charter and PPB rules when purchasing services by entering into formal contracts with these vendors.

HRA Response: "HRA agrees that the City Charter and PPB rules should be followed when a City procurement is involved; however HRA's position is that there was no City procurement. HRA had no authority to negotiate payment rates for the vendors cited in the audit. The rates are set by New York State Social Service Law. Therefore, HRA cannot enter into a formal contract with these vendors. In addition these payments are being made on behalf of clients and therefore it is as if the clients were making the payments for services or transferring their benefits themselves."

Auditor Comment: The City Charter and PPB rules do not specify that purchases made based on rates established by New York State Social Service Law or payments being made on behalf of clients may be procured without a contract or paid for through the issuance of a purchase order. As discussed previously, the City Charter and PPB rules require that these types of purchases from the City treasury require the use of contracts.

Moreover, we disagree that these payments are not City procurements since the payments for these services are being made from the City treasury. As discussed previously, Chapter 13 of the City Charter requires that all services paid for out of the City treasury be procured in accordance with the Charter and the PPB rules. Section 1-01 (e) of the PPB rules defines a PO and limits its use to purchases that do not exceed the small purchase limits of \$100,000. The Charter and the PPB rules also require that any agreements for such services be in writing. The purchases by HRA cited in this report are from the City treasury and exceed the small purchase limit. They therefore should not

be made using POs. Section 1-01(e) defines a PO as “an official document of the City directing the vendor to perform. A purchase order formalizes a purchase transaction with a vendor for purchases generally at or below the small purchase limits unless the purchase order is placed against an existing contract.”

2. HRA should discontinue using POs to procure services.

HRA Response: “POs were used as an alternative to the Miscellaneous Payment Voucher (PVM). The use of POs and corresponding payment vouchers (PVE) allowed for efficient monitoring and tracking of expenditures.”

Auditor Comment: As discussed earlier these purchases require the use of contracts. They should not be made using either purchase orders or miscellaneous vouchers.

3. HRA should register all these contracts and purchases with the Comptroller’s Office, as required by the City Charter.

HRA Response: “HRA agrees that the City Charter and PPB rules should be followed when a City procurement is involved; however HRA’s position is that there was no City procurement. HRA had no authority to negotiate payment rates for the vendors cited in the audit. The rates are set by New York State Social Service Law. Therefore, HRA cannot enter into a formal contract with these vendors. In addition these payments are being made on behalf of clients and therefore it is as if the clients were making the payments for services or transferring their benefits themselves.”

Auditor Comment: As discussed above, both the Charter and the PPB rules explicitly require executed contracts or agreements for purchases above the small purchase limits, and they mandate that no such contract or agreement be implemented until the contract or agreement has been registered by the Comptroller.

4. HRA should ensure that it adheres to provisions of Comptroller’s Directive #24 by using the correct purchase document when processing payments through FMS.

HRA Response: “HRA agrees that the City Charter, PPB Rules and the Comptroller’s Directive 24 should be followed when a City procurement is involved; however HRA’s position is that there was no City procurement. HRA had no authority to negotiate payment rates for the vendors cited in the audit. The rates are set by New York State Social Service Law. Therefore, HRA cannot enter into a formal contract with these vendors. In addition these payments are being made on behalf of clients and therefore it is as if the clients were making the payments for services or transferring their benefits themselves.”

Auditor Comment: As previously stated, we do not agree that these expenditures are not a City procurement because they are expended from the City treasury regardless of the fact that the rates for the vendors are set by New York State Social Service Law.

HRA Did Not Register a MOU

HRA entered into a MOU with NYCHA under object code 662, which provides for the expenditure of City tax levy funds from HRA's budget to NYCHA. The MOU states that NYCHA is to procure qualified service providers or is itself to provide the Job Opportunity Program, community center programs, and summer employment programs. HRA's responsibility is to pay NYCHA for the services provided. Since the MOU was not registered with the Comptroller, HRA used POs and corresponding payment vouchers (PVE) to pay a total of \$35,734,637 from its budget to NYCHA.

Chapter 13 of the City Charter requires that all services to be paid for out of the City treasury be procured in accordance with the Charter and PPB rules. The Charter and PPB rules require that any agreements for such services be in writing. Thus, both the Charter and PPB rules explicitly require executed contracts or agreements be made and mandate that no such contract or agreement be implemented until the contract or agreement has been registered by the Comptroller. The MOU between HRA and NYCHA comes within the ambit of Chapter 13 of the Charter. Accordingly, such agreements should be competitively procured, memorialized in writing, and submitted to the Comptroller for registration in accordance with Chapter 13 and PPB rules.

The City Charter requires that all contracts and agreements be registered with the Comptroller's Office, since the Comptroller is responsible for tracking City expenditures and maintaining a registry of City contracts. By not awarding contracts appropriately, HRA has been circumventing important internal controls that allow the Comptroller to ensure that all expenditures are properly recorded on the City's books and records.

Recommendation

5. HRA should present its MOUs to the Comptroller's Office for registration.

HRA Response: "HRA used a MOU with the New York City Housing Authority (NYCHA) to reflect the understanding of the parties regarding the transfer of funds from one governmental entity to another."

"HRA will review its procedures to ensure that all applicable laws, rules and directives are followed whenever funds are transferred to NYCHA or similar entities for the provision of services to our clients."

NYC
**Human Resources
Administration**
Department of
Social Services
Office of Constituent
Services and Policy
Improvement

June 25, 2009

Robert Doar
Commissioner

Jane Corbett
Executive Deputy
Commissioner

120 Water Street
New York, NY 10038

212 331 5500

Mr. John Graham
Deputy Comptroller
The City of New York
Office of the Comptroller
1 Centre Street, Room 530
New York, NY 10007

Re: Audit Report on the Compliance
of the Human Resources
Administration with Purchasing
Directives FP08-122A

Dear Mr. Graham:

We have reviewed the referenced draft report which was prepared by the New York City Comptroller's Office and were pleased to see that the audit found that generally, payments made on behalf of our clients were properly approved, authorized and documented.

Following are our comments on the report's findings and recommendations.

Auditor's Finding #1:

HRA Inappropriately Used Purchase Orders Instead of Contracts to Procure and Pay for Services.

Agency's Response:

HRA disagrees with this finding. It is HRA's position that these payments are not City procurements and thus do not require registered contracts. Payments to residential treatment providers for shelter and personal needs allowances; payments to correctional facilities for prison nurseries; payments to out-of-county shelters that served City clients; and payments to shelters serving victims of domestic violence are all made using rates established by the State. HRA is required to issue payments using the rates specified under New York State law. The NYS Office of Alcoholism and Substance Abuse Services (OASAS) regulates treatment agencies while the State Office of Temporary and Disability Assistance (OTDA) establishes the per diem rates for

shelter and personal needs allowances. In addition, HRA obtained a legal opinion from the NYC Law Department stating that payments may be made to residential treatment providers in the absence of a contract based on the fact that the payments are for obligations of the City pursuant to the State Social Services Law. The opinion was shared with the Comptroller's Office. New York State Codes Rules and Regulations (NYCRR) establish standards for operation and per diem rates for domestic violence shelters; NYS rules and regulations apply to out-of-county shelter payments; the NYS prison nursery system provides care and shelter for the children of female inmates. NYS law gives incarcerated women the right to keep their new born infants with them for up to a year. The social service district in which the inmate resides is financially responsible for the infant's shelter. The State establishes the shelter rate and monitors the nurseries. The Agency does not solicit for any of the aforementioned services.

As for the fifth type of payment cited by the audit, HRA received a legal opinion from the NYC Law Department that there was no City procurement related to payments to vendors who provide emergency housing to persons and families living with HIV. The opinion states that HRA may continue to pay the cost of housing these clients without entering into a contract with the vendor. The clients authorize HRA to transfer their benefits directly to the vendor consistent with HRA's authority to issue direct vendor checks of the shelter allowance.

Auditor's Recommendation #1:

HRA should ensure that it follows the City Charter and PPB rules when purchasing services by entering into formal contracts with these vendors.

Agency's Response:

HRA agrees that the City Charter and PPB rules should be followed when a City procurement is involved; however HRA's position is that there was no City procurement. HRA had no authority to negotiate payment rates for the vendors cited in the audit. The rates are set by New York State Social Service Law. Therefore, HRA cannot enter into a formal contract with these vendors. In addition these payments are being made on behalf of clients and therefore it is as if the clients were making the payments for services or transferring their benefits themselves.

Auditor's Recommendation #2:

HRA should discontinue using POs to procure services.

Agency's Response:

POs were used as an alternative to the Miscellaneous Payment Voucher (PVM). The use of POs and corresponding payment vouchers (PVE) allowed for efficient monitoring and tracking of expenditures.

Auditor's Recommendation #3:

HRA should register all these contracts and purchases with the Comptroller's Office, as required by the City Charter.

Agency's Response:

HRA agrees that the City Charter and PPB rules should be followed when a City procurement is involved; however HRA's position is that there was no City procurement. HRA had no authority to negotiate payment rates for the vendors cited in the audit. The rates are set by New York State Social Service Law. Therefore, HRA cannot enter into a formal contract with these vendors. In addition these payments are being made on behalf of clients and therefore it is as if the clients were making the payments for services or transferring their benefits themselves.

Auditor's Recommendation #4:

HRA should ensure that it adheres to provisions of Comptroller's Directive #24 by using the correct purchase document when processing payments through FMS.

Agency's Response:

HRA agrees that the City Charter, PPB Rules and the Comptroller's Directive 24 should be followed when a City procurement is involved; however HRA's position is that there was no City procurement. HRA had no authority to negotiate payment rates for the vendors cited in the audit. The rates are set by New York State Social Service Law. Therefore, HRA cannot enter into a formal contract with these vendors. In addition these payments are being made on behalf of clients and therefore it is as if the clients were making the payments for services or transferring their benefits themselves.

Auditor's Finding #2:

HRA did not register a MOU.

Agency's Response:

HRA used an MOU with the New York City Housing Authority (NYCHA) to reflect the understanding of the parties regarding the transfer of funds from one governmental entity to another. The intended Service Programs to be funded included the Job Opportunity Program, drug abuse treatment programs, domestic violence programs and Summer Employment Programs among many others summarized in the MOU. The MOU provides that the mix of Supportive Service Programs to be provided, the scope of work to be performed by each Service Provider and the amount to be spent on each Supportive Service Program shall be at NYCHA's sole discretion as long as the total annual amount set forth in the MOU is not exceeded. With respect to funding the MOU with NYCHA, these funds are no longer in the HRA budget effective with the current Fiscal Year.

Auditor's Recommendation #5:

HRA should present its MOUs to the Comptroller's Office for registration.

Agency's Response:

HRA will review its procedures to ensure that all applicable laws, rules and directives are followed whenever funds are transferred to NYCHA or similar entities for the provision of services to our clients.

It is the goal of HRA to provide services to our clients, who are among the most vulnerable of New York's citizens, in the most effective and efficient manner possible. As stated above, we intend to do this while adhering to all applicable laws, policies, rules and directives. We trust that our responses have addressed the concerns cited in this draft report. However, should you have any questions, please contact Hope Henderson, Director of the Bureau of Audit Coordination at (212) 331-4660.

Sincerely,



Jane Corbett

Cc: Commissioner R. Doar
P. M. Smith
R. Esnard
M. Fouks