



NEW YORK CITY COMPTROLLER **BRAD LANDER**

Maura Hayes-Chaffe
Deputy Comptroller for Audit

Audit on New York City Emergency Management's Oversight of Its Agreement with SLSCO LP for Property Management Services at COVID-19 Vaccination Sites

FP22-082A | November 1, 2022



THE CITY OF NEW YORK
OFFICE OF THE COMPTROLLER
BRAD LANDER

November 1, 2022

To the Residents of the City of New York,

My office has audited New York City Emergency Management (NYCEM) to determine whether NYCEM appropriately monitored the performance of SLSCO LP (SLSCO)—a vendor contracted to manage COVID-19 vaccination sites—and whether its invoices were properly reviewed and approved. The Office of the New York City Comptroller conducts audits of City agencies such as this as a means of increasing accountability and ensuring that City resources are used effectively and efficiently.

The audit determined that NYCEM did not always ensure SLSCO's compliance with performance standards set forth in its emergency agreement. Specifically, the audit found that NYCEM did not always properly document its monitoring of SLSCO and its subcontractors' performance. The audit also found instances of double billing, calculation errors, and uses of incorrect rates in SLSCO's invoices, resulting in overpayments totaling \$136,468, and an additional \$23,861 paid to SLSCO without supporting documentation.

To address these issues, the audit recommends that NYCEM ensure all invoices are properly calculated and supported; arrange for Vaccine Command Center and/or NYCEM staff to conduct and document the results of vaccination site visits; and properly document the review and approval of all subcontractors in writing.

I am pleased to report that NYCEM has already taken steps to address the findings above and has agreed in principle that documenting monitoring activities constitutes best practice.

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

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

Sincerely,

A handwritten signature in black ink, appearing to read "B. Lander", written over a horizontal line.

Brad Lander
New York City Comptroller

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AUDIT IMPACT

Summary of Findings

The audit found that New York City Emergency Management (NYCEM) did not always ensure SLSCO LP's (SLSCO's) compliance with performance standards set forth in its emergency agreement (Agreement) to manage property at New York City's COVID-19 vaccination sites. Specifically, the audit found that NYCEM did not always properly document its monitoring of SLSCO and its subcontractors' performance. The audit also found instances of double billing, calculation errors, and use of incorrect rates in SLSCO's invoices, resulting in \$136,468 in overpayments, and an additional \$23,861 paid to SLSCO without supporting documentation.

Intended Benefits

The audit identified areas where NYCEM can improve oversight of its Agreement with SLSCO to provide services at COVID-19 vaccination sites.

INTRODUCTION

Background

On March 3, 2021, NYCEM entered into an Agreement with SLSCO for property management services at New York City's (the City's) COVID-19 vaccination sites. The Agreement was entered into following an emergency procurement to meet the urgent need to expand and maximize vaccine distribution and administration. The term of the original Agreement was from March 3, 2021 to December 31, 2021, with a maximum reimbursable amount of \$100 million. The maximum reimbursable amount was amended three times: from \$100 to \$175 million in June 2021, from \$175 to \$375 million in December 2021, and from \$375 million to \$401 million in August 2022. The period of the Agreement was also extended to December 2022.

The scope of services to be provided by SLSCO is divided into three areas: vaccination provider services; program, property manager, and fiscal agent services; and construction services and other pass-through expenses. The services are described below in the following sections.

Vaccination Provider Services

SLSCO is contracted to provide vaccination provider services by providing staff and equipment and administering vaccines at each of the City-run vaccination sites, including both fixed sites and Pop Up/Mobile sites.¹ Billing is based upon the site's daily shot capacity as defined in the Work Order, with the exception of Pop Up/Mobile sites which are billed a flat daily operation fee of \$2,250 to \$5,500² per day, depending on the type of services provided by SLSCO. All actual costs incurred in relation to the procurement or use of hard assets to support these sites are billed as pass-through expenses.³

Program, Property Manager, and Fiscal Agent Services

SLSCO serves as the property manager for the vaccination sites and is authorized to negotiate, sign, and hold all leases on behalf of the City. SLSCO is also responsible for providing all necessary building support and construction services prior to opening a vaccination site. The City pays SLSCO \$2.50 per square foot per month based on each site's square footage.

As Needed Construction Services and Other Pass-Through Expenses

SLSCO is contracted to provide as needed construction services and to receive and pay various expenses incurred in operating the vaccination sites as pass-through expenses. Such expenses are borne by the City and paid without mark-up.

¹ Pop Up/Mobile sites are vaccination sites that are temporary and mobile (e.g., tents, buses). In November 2021, the end of the audit scope period, there were 60 vaccination sites (17 fixed and 43 Pop Up/Mobile) in operation.

² The second amendment to the Agreement decreased the flat daily operation fees from \$5,500 to \$4,950 beginning June 1, 2021.

³ As per the contract, hard assets are "things like buses, trailers, trucks, and transportation required to facilitate the effective operation."

The scope of this audit was from March 2021 to November 2021. As of September 2022, \$340 million of the \$401 million maximum reimbursement amount had been paid to SLSCO.

Objectives

The objectives of this audit were to determine whether NYCEM appropriately monitors SLSCO's performance and whether it properly reviews and approves SLSCO's invoices.

Discussion of Audit Results with NYCEM

The matters covered in this report were discussed with NYCEM officials during and at the conclusion of this audit. An Exit Conference Summary was sent to NYCEM on September 22, 2022 and discussed with NYCEM officials at an exit conference held on October 11, 2022. On October 17, 2022, we submitted a Draft Report to NYCEM with a request for written comments. We received a written response from NYCEM on October 26, 2022. In its response, NYCEM generally agreed with the audit findings; however, it also requested clarification on certain issues (addressed below) and emphasized that 99.95% of the contract costs were fully supported at completion of the audit and that it has already taken steps to address the remaining issues identified by the auditors.

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

DETAILED FINDINGS

The audit found that NYCEM did not always ensure SLSCO's compliance with performance standards as set forth in the Agreement, and it also found overpayments related to NYCEM's invoice review and approval processes.

A review of documentation found frequent email communication between NYCEM and SLSCO and regularly updated Work Orders for each vaccination site. This enabled NYCEM to track vaccination progress, forecast shot capacity, and monitor changes in shot capacity and the days and hours of operation. However, NYCEM did not maintain documentation that conforms to the Vaccine Command Center's⁴ (VCC's) monitoring plan or enforce all aspects of the Agreement. Reviewed documentation did not indicate whether site visits were conducted by NYCEM staff or other agencies, and NYCEM verbally approved SLSCO's subcontractors rather than in writing as required under the Agreement.

In addition, a review of invoices found instances of double billing, calculation errors, and use of incorrect rates in SLSCO's invoices, resulting in \$136,468 in overpayments and \$23,861 in unsupported payments.

These issues are discussed below.

NYCEM Overpaid SLSCO by \$136,468

NYCEM did not identify all errors in SLSCO invoice submissions, leading to a total overpayment of \$136,468. This consisted of an overcharge of \$129,000 resulting from an error in shot capacity and invoices that included double claimed amounts, a calculation error, and incorrect overtime totaling \$7,468.

The auditors found that SLSCO used a higher daily shot capacity of 150 for two months of invoices, overcharging the City by \$129,000 for Pop Up/Mobile sites. The Agreement allows SLSCO to charge for shots administered based on total shot capacity, with the rate per shot determined by daily shot capacity as defined in each site's Work Order. The daily shot capacity for this site according to its Work Order was 100 shots per day, but SLSCO incorrectly billed the City at a higher daily capacity of 150 for two months from June to July 2021.

Further overpayments of \$7,468 were also found. In one instance, NYCEM paid two invoices for pass-through expenses covering the same time period, resulting in a double payment of \$5,604. The two invoices were included in two separate invoice packages submitted by SLSCO with different invoice numbers. The details of the invoices, however, were identical. The auditors also found errors in SLSCO subcontractor invoices for pass-through expenses. One subcontractor incorrectly charged a total of 48.25 regular work hours as overtime on three occasions, resulting in an overpayment of \$1,368. Another subcontractor also incorrectly overstated its invoice by \$496.

These issues were communicated to NYCEM on August 9, 2022. NYCEM agreed with the findings and has asked SLSCO to issue credits for all the overpayments identified. On September 15,

⁴ The Vaccine Command Center is a COVID-19 dedicated interagency effort created by the Mayor's Office to coordinate vaccine distribution throughout the City. NYCEM is a member of the VCC.

2022, NYCEM provided documentation to show that it has taken credits to offset the overpayments of \$136,468.

Invoices Totaling \$23,861 Paid without Supporting Documentation

NYCEM issued payments totaling \$23,861 for invoices that were unsupported by documentation. On three occasions, payments were issued even when NYCEM had been notified that timesheets needed to support claimed expenses were missing. Instead of withholding payment for the unsupported amounts, NYCEM issued full payments for the invoices, totaling \$10,135. NYCEM also paid for costs related to the setup of one of the vaccination sites, totaling \$13,726, without supporting documentation. The License to Use Agreement with the site owner clearly states that the “total one-time reimbursement to Licensor in the amount of \$13,725.95 shall be included on Licensor’s first invoice, which shall include supporting documentation for costs incurred.” However, SLSCO included only a breakdown of the \$13,726 in the invoice package it submitted to NYCEM.

NYCEM did not agree with the need for supporting documentation of the \$13,725.95, stating, “This dollar value was agreed upon in the lease agreement, similar to any flat rate set-up fee or make-ready reimbursement. Documentation of work performed is irrelevant as the City was obligated to pay this amount regardless of the actual cost incurred to the vendor through subcontractors or force account staff/materials/equipment.” NYCEM’s disagreement notwithstanding, the auditors recommend that NYCEM enforce the terms of the License to Use Agreement and ensure that the amount is included in the Licensor’s first invoice, with supporting documentation.

Regarding the unsupported amount of \$10,135, NYCEM did agree to request the missing documentation when the issue was discussed on August 9, 2022. On September 15, 2022, NYCEM provided documentation from the company’s supervising manager confirming that employees had worked on the times and dates that timesheets were missing.

NYCEM Did Not Always Properly Document the Monitoring of SLSCO/Subcontractor Performance

The auditors found weaknesses in NYCEM’s vendor monitoring and documentation practices. Although NYCEM and SLSCO maintained frequent email communication and SLSCO conducted daily vaccination site visits, NYCEM did not document when the VCC conducted site visits. According to the monitoring plan developed by the VCC, site visits are mandatory for both fixed and Pop Up/Mobile sites. Although the plan stipulates that site visits can be conducted by SLSCO, VCC, or other agencies, NYCEM should not rely solely on email communication or SLSCO’s word to monitor program performance. Per Comptroller’s Directive #1 – *Principles of Internal Control*, agency management must “perform continual monitoring of activities and programs” in order to ensure program quality and delivery of services. For this reason, the auditors suggest that NYCEM independently conduct its own site visits, or review and maintain documentation of site visits by other agencies affiliated with the VCC. If other site visits are, in fact, being conducted, then they should be documented and filed accordingly.

In addition, when asked by the auditors, NYCEM was not able to document prior approval of its subcontractors. In its response, NYCEM stated that verbal approvals were given and written approvals were not available. However, Section 3.02, Appendix A of the Agreement requires that all subcontractors be “approved by the Department prior to commencing work under a subcontractor,” and that any subcontract for an amount “greater than \$20,000.00” requires written request and approval. Failure to obtain the written approvals raises questions about whether NYCEM has performed due diligence on the subcontractors and whether said subcontractors are qualified to perform the contracted work.

In its response to the Draft Report, NYCEM asserted that it “maintained robust monitoring and review of SLSCO and the operation” but nonetheless acknowledged that documenting such efforts is best practice.

RECOMMENDATIONS

To address the detailed findings, the auditors propose that NYCEM:

1. Ensure that all invoices are properly calculated and supported.
2. Arrange for VCC and/or NYCEM staff to conduct vaccination site visits and document them accordingly.
3. Properly document the review and approval of all subcontractors in writing.

NYCEM Response: Even though NYCEM did not directly state whether it agrees or disagrees with the audit recommendations, NYCEM stated that “NYCEM appreciates the care and effort that went into the auditing of the program by the Comptroller’s team and will work to include all feedback in future emergency response and recovery efforts.”

Recommendations Follow-up

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

SCOPE AND METHODOLOGY

We conducted this performance audit in accordance with Generally Accepted Government Audit 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 City Charter.

The audit scope covers the period from March 3, 2021 through November 2021.

To obtain an understanding of NYCEM's and SLSCO's responsibilities and obligations for the provision of and payment for Property Management services by SLSCO at COVID-19 Vaccination sites, the auditors obtained and reviewed the following:

- Emergency Executive Order No. 101 issued March 17, 2020 – The New York State Governor declared a state of emergency for the State of New York to address the threat posed by COVID-19 to the health and welfare of New York City residents and visitors;
- Procurement Policy Board (PPB) Rules of the City of New York;
- Comptroller's Directive #1 – *Principles of Internal Control*;
- NYCEM Agreement with SLSCO Ltd. for Property Management Services at COVID-19 Vaccination Sites;
- First Amendment, effective March 23, 2021, and Second Amendment, effective May 27, 2021, to the Agreement between SLSCO Ltd. and NYCEM;
- Third Amendment to the Agreement, effective July 13, 2021; and Fourth Amendment effective December 23, 2021.

To determine whether NYCEM approved all SLSCO subcontractors prior to commencing the work in accordance with PPB Rules § 4-13, auditors requested SLSCO's written requests and the agency's written approvals to use proposed subcontractors.

To assess NYCEM's controls over the COVID-19 vaccine program and its Property Management Services Agreement with SLSCO, auditors conducted walk-throughs and interviewed NYCEM officials responsible for the program invoice review and approval.

To gain a better understanding and identify potential internal control weaknesses of the administration of the contract, auditors reviewed NYCEM's Standard Operating Procedure, Work Orders, and Vaccine Command Center (VCC) Monitoring Plan. Additionally, auditors assessed SLSCO's Daily Safety/Site Visit Checklists.

To determine whether NYCEM accurately verified and approved SLSCO and third-party vendor invoices, auditors reviewed and evaluated all invoices available and backup documentations submitted during the audit scope period (from March to November 2021).

To assess the reliability and accuracy of invoices, auditors reviewed and compared data provided against payment information from Checkbook NYC, verified the accuracy of the dollar amount of

the 16 biweekly consolidated invoices, and traced to payment records in Checkbook NYC. The last invoice reviewed in the audit scope was partially paid to the extent of the maximum reimbursable amount of \$175,000,000.⁵

The results of the above tests, though not projectable to their respective populations, provide a reasonable basis to assess and to support the auditors' findings and conclusions about NYCEM's oversight of its Agreement with SLSCO LP for property management services at COVID-19 vaccination sites.

⁵ Amendments issued to revise the maximum reimbursable amount and service scope period are outside of the audit scope.



NEW YORK CITY EMERGENCY MANAGEMENT
165 CADMAN PLAZA EAST BROOKLYN, NEW YORK 11201

ZACH ISCOL
COMMISSIONER

October 26, 2022

Ms. Maura Hayes-Chaffe
Deputy Comptroller for Audits
Bureau of Audits
Office of New York City Comptroller
1 Centre Street, 11th Floor North
New York, NY 10007

RE: NYCEM's Response to Audit on New York City Emergency Management's Oversight of Its Agreement with SLSCO LP for Property Management Services at COVID-19 Vaccination Sites

Dear Ms. Hayes-Chaffe,

New York City Emergency Management (NYCEM) has reviewed the New York City Comptroller's Audit on New York City Emergency Management's Oversight of Its Agreement with SLSCO LP for Property Management Services at COVID-19 Vaccination Sites.

We thank the Comptroller for revising their preliminary findings and recommendations based on the additional information NYCEM provided. We also thank the auditors for the opportunity to review the draft report. NYCEM generally agrees with the findings listed below, but seeks to clarify several items, as outlined in our responses. Further, NYCEM would like to emphasize that 99.95% (~\$345,000,000) of the contract costs were fully supported at completion of the audit and that the majority of the remaining .05% (\$160,329) identified below, has been credited back to the City or supported and remedied.

Finding #1: NYCEM Overpaid SLSCO by \$136,468

NYCEM Response: NYCEM agrees with the finding that it initially overpaid SLSCO by \$136,468 and, per the report, "NYCEM agreed with the findings and has asked SLSCO to issue credits for all the overpayments identified. On September 15, 2022, NYCEM provided documentation to show that it has taken credits to offset the overpayments of \$136,468."

Finding #2: Invoices Totaling \$23,861 Paid without Supporting Documentation

NYCEM Response: NYCEM disagrees that \$13,726 of the \$23,861 was unsupported for payment, as the License to use Agreement for this charge stated the amount as a flat fee.

NYCEM agrees that, per the report, “Regarding the \$10,135, NYCEM nonetheless agreed to request the missing documentation when the issue was discussed on August 9, 2022. On September 15, 2022, NYCEM provided documentation from the company’s supervising manager confirming that employees had worked on the times and dates that timesheets were missing.”

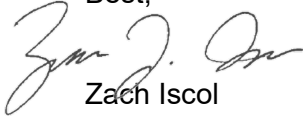
Finding #3: NYCEM Did Not Always Properly Monitor or Document SLSCO/Subcontractor Performance

NYCEM Response: NYCEM disagrees with this statement. NYCEM maintained robust monitoring and review of SLSCO and the operation while vaccinating New Yorkers as safely and efficiently as possible. NYCEM agrees that documenting such efforts are best practice and will strive to do so in the future.

NYCEM did perform due diligence on subcontractors, and approved subcontractors before work commenced. NYCEM agrees that doing so in writing is best practice and will strive to do so in the future.

NYCEM appreciates the care and effort that went into the auditing of the program by the Comptroller’s team and will work to include all feedback in future emergency response and recovery efforts.

Best,

A handwritten signature in black ink, appearing to read "Zach Iscol", written over the printed name.

Zach Iscol



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