

AUDIT REPORT

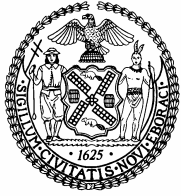


CITY OF NEW YORK
OFFICE OF THE COMPTROLLER
BUREAU OF MANAGEMENT AUDIT
WILLIAM C. THOMPSON, JR., COMPTROLLER

Audit Report on the Human Resources Administration's Employment Services And Placement Efforts for Public Assistance Recipients

ME06-071A

June 18, 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 effectiveness of the Human Resources Administration's (HRA's) monitoring of its employment-service vendors.

HRA job centers refer public assistance (PA) clients to vendors that train them and help them search for employment. HRA pays these vendors for the placements of PA clients in jobs, for retentions on the job after 13 and 26 weeks, and for clients obtaining high wages. We audit programs such as this to ensure that City agencies efficiently and effectively meet their program objectives.

The results of our audit, which are presented in this report, have been discussed with officials of HRA, 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 black ink that reads "William C. Thompson, Jr.".

William C. Thompson, Jr.

WCT/EC

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Table of Contents

AUDIT REPORT IN BRIEF 1

Audit Findings and Conclusions 1

Audit Recommendations 2

INTRODUCTION..... 3

Background 3

Objective 4

Scope and Methodology 4

Discussion of Audit Results 6

FINDINGS AND RECOMMENDATIONS 7

HRA's Monitoring of the Performance of
Employment-Service Vendors Was Inadequate 7

 Office of Contract Monitoring 7

 Employment Contractor Services 9

 Office of Program Reporting Analysis and Accountability 9

 Recommendations 10

HRA Controls over the Eligibility Process Were Inadequate 12

 Case Numbers Improperly Assigned 12

 PA Recipients with Dual Identity 13

 Recommendations 14

HRA's Processing of Payments to Vendors Was Inadequate 15

 Assessment and Engagement Payments 16

 Job Placement, Retention, and High-Wage Payments 17

 Milestone Payment Approval Codes 20

 Recommendations 20

HRA's Adjustment of Newly Employed Clients' Public-Assistance Benefits Is Not
Consistently Initiated in a Timely Manner 23

 Recommendation 23

Inconsistent Case Information in HRA Systems 24

 Recommendation 25

ADDENDUM HRA Response

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

**Audit Report on the Human Resources
Administration's Employment Services and
Placement Efforts for Public Assistance Recipients**

ME06-071A

AUDIT REPORT IN BRIEF

This audit determined the effectiveness of the Human Resources Administration's (HRA's) monitoring of its employment-service vendors. HRA is responsible for helping individuals and families achieve and sustain their maximum degree of self-sufficiency. To fulfill this mission, HRA provides a broad range of programs and services, including public assistance, food stamps, job training and employment services.

In March 1998, HRA began converting its welfare offices into job centers. Job centers are intended to meet emergency and temporary financial needs, while supporting the efforts of those applying for (or on) public assistance (PA) to obtain employment and achieve financial independence. The job centers refer PA clients to vendors who train them and help them search for employment. During Fiscal Year 2005, HRA had two types of employment vendors for PA clients: Skill Assessment and Job Placement (SAP) vendors and Employment Services and Placement (ESP) vendors. HRA budgeted approximately \$22,243,000 for SAP contracts and approximately \$24,341,000 for ESP contracts in Fiscal Year 2005.

Audit Findings and Conclusions

Although HRA's monitoring of its employment-service vendors had some positive features, it also had several significant weaknesses. HRA had a system of vendor-performance evaluation and also had several computer systems to record and track information related to the employment services its vendors provided to participants. In addition, HRA properly approved ITA applications, and the Regional Education Center for Economic Development of the City University of New York (HRA's contractor) generally implemented adequate controls in the processing of ITA claims from training providers.

However, HRA's monitoring of the performance of its employment-service vendors was insufficient. Although HRA had a system of contract monitoring in place, it did not consistently follow its own procedures to ensure that vendors complied with the terms of their contracts. The

Office of Contract Monitoring (OCM) did not conduct the required number of evaluation visits to vendors and did not require corrective-action plans for some deficiencies cited in its evaluation reports. Moreover, HRA often did not follow up in a timely manner to ensure that vendors implemented their corrective-action plans. Insufficient HRA monitoring of vendor performance contributed to the provision of substandard employment services to PA clients and limited the number of eligible clients placed and retained in jobs.

In addition, there were significant weaknesses in HRA's efforts related to program eligibility, public assistance adjustments, and vendor payments. Our review of 73 assessment, engagement, placement, retention, and high-wage payments totaling \$72,522 found that there was insufficient evidence to support 18 payments totaling \$18,653 (26% of the amount paid). As a result of these weaknesses, HRA did not adequately ensure the protection of public assistance and employment service funds.

Audit Recommendations

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

- Ensure that the Office of Contract Monitoring conduct the required number of evaluation visits to each vendor each year.
- Ensure that OCM requires corrective-action plans for all deficiencies found during visits to vendor sites.
- Ensure timely follow-up reviews of all deficiencies cited by OCM in its vendor-evaluation reports.
- Ensure that assessment and engagement claims submitted by vendors are reviewed and approved by HRA staff based on supporting documentation for each claim submitted.
- Ensure that employment verification forms submitted by employment-service vendors include the required employer's seal or stamp, the client signature, and the hours worked per week.
- Ensure that PA recipients meet the requirements for high wages before making bonus payments to vendors.

Agency Response

In its response, HRA agreed with many of the audit recommendations but disagreed with some of the audit findings.

INTRODUCTION

Background

The Human Resources Administration is responsible for helping individuals and families achieve and sustain their maximum degree of self-sufficiency. To fulfill this mission, HRA provides a broad range of programs and services, including public assistance, food stamps, job training and employment services.

In March 1998, HRA began converting its welfare offices into job centers. Job centers are intended to meet emergency and temporary financial needs, while supporting the efforts of those applying for (or on) public assistance to obtain employment and achieve financial independence. The job centers refer PA clients to vendors who train them and help them search for employment. During Fiscal Year 2005 (the scope period for this audit), HRA had two types of employment vendors for PA clients: Skill Assessment and Job Placement vendors and Employment Services and Placement vendors.¹

An individual applying for public-assistance benefits would be referred to a SAP vendor associated with the job center. HRA had contracts with four SAP vendors² to provide assessment, engagement, and job placement services to PA applicants. The four SAP vendors had a total of nine service centers throughout the city. Assessment involves the testing and evaluation of PA applicants to determine their math and reading skills, as well as their overall employability. Engagement involves job-readiness training and job-search assistance. SAP vendors were paid standard fees for each of these services, as well as for (1) job placements, (2) retentions on the job after 13 weeks, and (3) clients being placed in positions with high wages or wages sufficient to eliminate the need for public assistance.

After being assigned to a SAP vendor for up to six weeks, if the vendor was unable to place the client in a job, the individual was transferred to an ESP vendor for additional employment services. HRA contracted with nine ESP vendors³ to provide employment services to PA recipients. The recipients were offered job training and worked with job-search counselors to secure employment. The nine ESP vendors had a total of 28 service centers throughout the city. ESP vendors were paid for (1) placements of PA recipients in jobs, (2) retentions on the job after 13 and 26 weeks, and (3) clients obtaining high wages or wages sufficient to eliminate the need for public assistance.

Qualified PA recipients in the ESP program were given opportunities to be trained for particular jobs (e.g., computer technician). HRA approves Individual Training Account (ITA) vouchers for such recipients. ESP vendors provided the approved vouchers to the recipients,

¹ During the exit conference (held on February 26, 2007), HRA officials informed us that these two programs are currently being merged into a new program called "Back to Work".

² These vendors include Arbor Inc., Concera Corporation, Federation Employment and Guidance Services, Inc. (FEGS), and Goodwill Industries of Greater New York.

³ These vendors include America Works, Career & Educational Consultants (CEC), FEGS, Goodwill Industries of Greater New York, New York Job Partners, the Non-Profit Assistance Corporation (NPAC), the New York Association for New Americans (NYANA), the Research Foundation of CUNY, and Wildcat Service Corporation.

who used them to enroll in selected training programs. Upon completion of the training, the training providers forward invoices to the Regional Education Center for Economic Development of the City University of New York (CUNY), which has a contract with HRA to process the providers' claims. CUNY must review supporting documentation to ensure that the recipients successfully completed the training.

HRA has several units responsible for monitoring and reimbursing its employment-service vendors. The Family Independence Administration (FIA) Office of Contract Monitoring is responsible for evaluating vendor compliance with contract terms and conditions. The Employment Contractor Services unit is responsible for the day-to-day monitoring of the vendors and for following up on the performance issues raised during OCM evaluation visits. ECS is also responsible for approving or rejecting applications for ITA vouchers. The Office of Program Reporting Analysis and Accountability (OPRAA) prepares VendorStat Reports that present data on vendor performance relative to other vendors and to contract budget goals. HRA officials informed us that they meet periodically with each vendor to review the VendorStat Report and to discuss potential remediation of identified indicators of low performance. The Department of Employment and Placement Verification (DEPV) is responsible for verifying job placement, retention, and high-wage milestone claims submitted for payment by vendors through the HRA Payment and Claiming System (PaCs). DEPV uses PaCs to process the claims, which are electronically transferred to the Accounts Payable unit for payment through the Financial Management System (FMS), a City-wide system.

In the course of handling its employment services responsibilities, HRA uses several computer systems in addition to PaCs and FMS: the HRA New York City Works, Accountability, and You (NYCWAY) system; the New York State Welfare Management System (WMS); the HRA Paperless Office System (POS); the HRA Workforce Information System Automated Reporting Database (WISARD); and the HRA Viewer, which stores scanned images of source documents.

HRA budgeted approximately \$22,243,000 for SAP contracts and approximately \$24,341,000 for ESP contracts in Fiscal Year 2005.

Objective

The objective of this audit was to determine the effectiveness of HRA's monitoring of its employment-service vendors.

Scope and Methodology

The scope of the audit was July 1, 2004 through June 30, 2005 (Fiscal Year 2005).

To gain an understanding of HRA's SAP and ESP program monitoring practices, we conducted walk-throughs and interviewed personnel at several HRA units, six HRA job centers, eight vendor sites, and the CUNY Regional Education Center.

To gain an understanding of relevant policies, procedures, and regulations governing the SAP and ESP programs, HRA manuals entitled *FIA/CUNY Professional Training Academy*, *Employment Services and Placement Core Training Binder*, *Screening PaCs Payment Requests*, *The Contract Monitor's Cookbook for Human Services*, *FIA-3A User Guide*, and the *Individual Training Account (ITA) Tuition Assistance Issuance Guidelines & WISARD Process* were reviewed. Flowcharts documenting our understanding of HRA's process of monitoring the PA employment program were prepared.

To determine whether OCM ensured that SAP and ESP vendors appropriately provided contract services to PA clients, we requested copies of OCM site-visit reports, including the monitoring instruments used to evaluate vendor performance, during Fiscal Year 2005. These reports were reviewed to determine whether HRA complied with the procedures in its contract-monitoring manual. We also determined whether ECS appropriately followed up on performance issues raised by OCM in its visit reports.

We obtained from HRA a NYCWAY system list of the 24,759 PA recipients who were accepted in the SAP or ESP programs during Fiscal Year 2005. To test the reliability of the data, we sorted the list by case number and name and checked for duplicates. We identified 22,150 PA recipients with unique case numbers and names; 769 names with duplicate case numbers and 1,840 duplicate names. The list of 769 names with duplicate case numbers included 381 case numbers listed two or more times. The list of 1,840 duplicate names included 800 names listed two or more times.

To determine whether the case numbers listed more than once on the HRA list were valid, a sample of 25 of the 381 case numbers listed more than once was randomly selected for review. For these 25 cases, we reviewed addresses and dates of birth recorded in NYCWAY, POS, WMS, and HRA Viewer to verify that the individuals with the same case numbers were from the same household and had different Social Security and Client Identification Numbers (CINs). The relationships among the individuals with the same case numbers were also reviewed. To determine whether recipients whose names were listed several times on the HRA list were, in fact, different persons, a sample of 25 of the 800 names listed more than once was randomly selected for review. For these 25 names, we compared addresses, dates of birth, Social Security numbers, and CINs recorded in NYCWAY, POS, WMS, and HRA Viewer. These tests were performed to determine whether some clients referred to employment-service vendors had the potential, due to the multiple listings, of being eligible to receive additional public-assistance benefits and HRA employment services to which they were not entitled.

To determine whether HRA paid the correct milestone and bonus amounts to SAP and ESP vendors, a sample of 25 of the 22,150 PA recipients with names and numbers was randomly selected for review. For these individuals, as well as for a sample of 25 clients who received ITA vouchers (as explained in the next paragraph), we reviewed information in NYCWAY, PaCs, and the HRA Viewer, as well as supporting documentation, to determine the appropriateness of HRA payments. To determine whether PA benefits were adjusted in a timely manner when clients' incomes increased through successful job placements, we reviewed WMS and NYCWAY data.

To determine whether HRA complies with rules and regulations in awarding ITA vouchers to PA recipients, we requested and reviewed a WISARD system list of all PA recipients who were awarded ITA vouchers during Fiscal Year 2005. From a total population of 2,008 recipients awarded ITA vouchers, a sample of 25 employment service program participants was randomly selected for review. We reviewed WISARD system data and supporting documentation to determine whether the ITA applications were properly approved and whether HRA payments for ITA training were appropriate.

To determine the data reliability of NYCWAY, WMS, and POS, we examined the consistency of data among these systems for the 25 randomly selected cases in our sample with unique numbers and names. We also compared NYCWAY, WMS, POS, PaCs, and WISARD systems data on these 25 cases and on the 25 ITA cases in our sample to information on source documents available in the HRA Viewer, at employment-service vendor sites, and at the CUNY Regional Education Center. HRA generally did not maintain hard copies of source documents.

We determined whether HRA contracts with SAP and ESP vendors and the CUNY Regional Education Center were registered as required by Chapter 13, §328, of the City Charter.

The results of the above tests, while not statistically projectable to their respective populations, provide us a reasonable basis to assess the adequacy of HRA's monitoring of the employment and placement services provided to public assistance recipients.

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 HRA officials during and at the conclusion of this audit. A preliminary draft report was sent to HRA officials on January 23, 2007 and was discussed at an exit conference held on February 26, 2007. We submitted a draft report to HRA officials on April 5, 2007 with a request for comments. We received a written response from HRA officials on May 18, 2007.

In its response, HRA agreed with many of the audit recommendations but disagreed with some of the audit findings. HRA stated that it "has already implemented several of the recommendations identified in [the] report. We will continue to enforce them as we manage the contracts that allow us to enhance the programs that provide services to our clients."

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

FINDINGS AND RECOMMENDATIONS

Although HRA's monitoring of its employment-service vendors had some positive features, it also had several significant weaknesses. HRA had a system of vendor-performance evaluation and also had several computer systems to record and track information related to the employment services its vendors provided to participants. In addition, HRA properly approved ITA applications, and CUNY (HRA's contractor) generally implemented adequate controls in the processing of ITA claims from training providers.

However, HRA's monitoring of the performance of its employment-service vendors in Fiscal Year 2005 was insufficient. In addition, there were significant weaknesses in HRA's efforts related to program eligibility, public assistance adjustments, and vendor payments. Our review of 73 assessment, engagement, placement, retention, and high-wage payments totaling \$72,522 found that there was insufficient evidence to support 18 payments totaling \$18,653 (26% of the amount paid). As a result of these weaknesses, HRA did not adequately ensure the provision of quality employment services to PA clients and the protection of public assistance and employment-service funds.

HRA's Monitoring of the Performance of Employment-Service Vendors Was Insufficient

HRA's monitoring of the performance of its employment-service vendors in Fiscal Year 2005 was insufficient. Although HRA had a system of contract monitoring in place, it did not consistently follow its own procedures to ensure that vendors complied with the terms of their contracts. As a result, OCM did not conduct the required number of evaluation visits to vendors and did not require corrective action plans for some deficiencies cited in its evaluation reports. Moreover, HRA often did not follow up in a timely manner to ensure that vendors implemented their corrective-action plans. Insufficient HRA monitoring of vendor performance contributed to the provision of substandard employment services to PA clients and limited the number of eligible clients placed and retained in jobs.

Office of Contract Monitoring

OCM is in charge of conducting regular visits to vendor sites to ensure compliance with contract terms. According to HRA guidelines, *The Contract Monitor's Cookbook for Human Services* (the *Cookbook*), "the minimum number of site visits per contractor should be three per year." However, OCM officials told us that due to limited staff resources and to the fact that ECS also conducts vendor site visits, OCM's goal is to visit vendor sites twice a year (every six months) to evaluate vendor performance. HRA officials told us that the *Cookbook's* guidelines are the only written procedures they have for this area. We requested copies of all evaluation reports on the site visits conducted during Fiscal Year 2005 at the nine ESP vendors and four SAP vendors. For the nine ESP vendors, OCM conducted only 12 evaluation visits during Fiscal Year 2005. For the four SAP vendors, OCM conducted only seven evaluation visits during Fiscal Year 2005. Although each vendor was evaluated at least once during the year, OCM did not conduct evaluation visits to each vendor three times per year as recommended by the

Cookbook, nor did it conduct evaluation visits twice per year as claimed by OCM officials. More frequent site visits could help mitigate the risk of operational deficiencies being undetected or uncorrected, especially considering the fact that, as discussed in the next section, there is little evidence of ECS regularly visiting vendor sites or following up on operational deficiencies cited by OCM.

In 10 of the 12 ESP reports, OCM cited the vendor for only being in partial compliance with contract goals for job placement and/or retention. In 3 of these 10 reports, OCM did not seek or obtain corrective-action plans from the vendors to address this partial compliance. For example, for one vendor, OCM noted expected placement, 13-week retention, and 26-week retention rates of 40 percent, 75 percent, and 54 percent, respectively, but reported that the vendor achieved rates of only 30 percent, 58 percent, and 43 percent, respectively. In all seven SAP reports, OCM cited the vendor for only being in partial compliance with contract goals for job placement and/or retention. OCM sought corrective action plans for each of these deficiencies; however, for one of them, the vendor did not provide an action plan, stating that it could not meet job placement goals due to the large number of homeless clients it served. There is no evidence that OCM contacted the vendor to pursue this issue further. By not consistently notifying vendors of the deficiencies found during performance evaluations and obtaining plans for correction, and by not contacting vendors who fail to provide an action plan, HRA is missing opportunities to improve the quality of its employment services, including those that encourage the job placement and retention of PA recipients.

OCM does not conduct follow-up visits between evaluation visits. Any evaluation visit is, in part, a follow-up review of any deficiencies noted during the previous evaluation visit. When we requested copies of all Fiscal Year 2005 evaluation reports prepared by OCM on ESP vendors, OCM provided a total of 17 reports corresponding to evaluation visits conducted between June 2, 2004 and September 22, 2005. In addition to the 12 evaluation visits in Fiscal Year 2005, these reports indicated that there were 2 evaluation visits in Fiscal Year 2004 and 3 evaluation visits in Fiscal Year 2006. Eight of the nine ESP vendors were evaluated twice during this period, and one ESP vendor was evaluated once. Six of the eight ESP vendors evaluated twice during this period had significant shortcomings in terms of compliance with placement and retention goals, but were not visited for 8 to 11 months after these shortcomings were identified to determine vendor progress toward achieving compliance.

Furthermore, the site-visit reports lacked important information and documentation that the HRA *Cookbook* indicates should be collected, such as the numbers and titles of vendor supervisors and managers working on the contract; assessments of the vendor's supervision and organizational structure; the names of the vendor's board members; and copies of the minutes of the last two board meetings. By not covering these topics in its monitoring reports, OCM missed opportunities to review and improve the organizational effectiveness of the employment-service vendors. By strengthening vendors' organizational effectiveness, OCM would enhance the quality and efficiency of vendors' employment-service efforts for PA clients.

In addition, OCM bases its evaluations of vendor job placement and retention performance on data in PaCs, a computer system that compiles information on payments to vendors for job placements and retention. However, the section of this report entitled "HRA's

Processing of Payments to Vendors Was Inadequate” (which begins on page 15) indicates that the data in PaCs, which processes milestone payments to vendors, may not be reliable because HRA often paid for client placements and retentions that were not adequately documented. Therefore, it is questionable whether these placements and retentions should have been counted toward the vendors meeting placement and retention goals. The reliability of PaCs data is also important because OCM’s evaluations of vendor performance is the basis for HRA’s evaluation of the contractor in the Vendor Information Exchange System (VENDEX), a City-wide database on City contracts and contractors.

Employment Contractor Services

ECS is responsible for the day-to-day monitoring of the employment-service vendors serving PA clients. HRA officials informed us that ECS staff perform regular site visits. We requested that ECS provide us with any and all reports or documentation showing evidence of ECS monitoring efforts during Fiscal Year 2005. In response, ECS provided us with Fiscal Year 2005 reports on visits to only 4 of the 37 SAP and ESP service centers operated by the 13 SAP and ESP vendors. The validity of one of the four reports is questionable due to inconsistencies in the dates entered on the report. The report was dated December 4, 2004, but included references to information collected on November 14, 2005.

OCM officials informed us that in between evaluation visits by OCM, ECS follows up on the correction of deficiencies OCM cites in its vendor-evaluation reports. While this approach could help ensure the timely correction of deficiencies, ECS provided us with little evidence that it engages in such follow-up efforts. Furthermore, as we noted above, OCM does not conduct follow-up visits between evaluation visits and allowed considerable time to elapse between such visits even when the vendors had significant shortcomings concerning their compliance with placement and retention goals. By not following up in a timely manner on the correction of cited deficiencies, HRA is not ensuring the provision of quality employment services to PA clients, such as those services that encourage and support a PA client’s efforts to be retained in a job.

Office of Program Reporting Analysis and Accountability

OPRAA issues a monthly VendorStat Report, based on NYCWAY and PaCs data, that compares the performance of each employment-service vendor relative to the performance of all other HRA employment-service vendors and to contract budget goals for job placement and retention. According to HRA officials, HRA staff periodically meet with individual vendors to discuss the VendorStat Report and related performance issues. HRA then prepares a VendorStat Action Items table that shows actions to be taken by the vendor or HRA to address issues discussed during the meeting. While these efforts are commendable, HRA provided evidence of only three VendorStat Action Items tables having been prepared in Fiscal Year 2005. These meetings and Action Items tables are an additional mechanism by which HRA can encourage better vendor performance. For example, one vendor hired additional case managers to address an Action Items table recommendation that the vendor improve its case management efforts “to help clients to self-sufficiency especially when there are difficult barriers to employment.”

Recommendations

HRA should:

1. Ensure that the Office of Contract Monitoring conducts the required number of evaluation visits to each vendor each year.

Agency Response: “HRA disagrees with this recommendation. The Contract Monitors’ Cookbook developed by HRA’s ACCO in 1998 provides general guidelines to HRA’s contract areas. The specifics of the monitoring, including the number of visits, are determined by each contract area in the agency. It remains the goal of OCM to visit each vendor during the year. As noted in the audit, OCM conducted 19 visits to ESP and SAP contractors during FY 2005. In addition to OCM, staff from the regional offices of FIA’s Office of Operations, also monitor the activities of employment contractors.

“While we disagree that ‘PA recipients were inappropriately served under the audit review period,’ this exercise has allowed HRA to review its current practices with focus on improving the coordination of the monitoring functions being performed by the various areas with this responsibility. In this way we will promote more coherent monitoring and ensure the appropriate level of vendor services and contract compliance.”

Auditor Comment: We do not understand the basis upon which HRA disagrees that it should follow its own guidelines regarding evaluation visits. Not only did OCM not meet the Cookbook’s standard, it also did not meet its own goal of conducting at least two evaluation visits to each vendor each year. Based on this goal, OCM should have completed 26 evaluation visits to its 13 employment-service vendors. However, OCM only completed 19 evaluation visits during Fiscal Year 2005.

Nevertheless, we are pleased that HRA states that it will review its current practices “to promote more coherent monitoring and ensure the appropriate level of vendor services and contract compliance.”

2. Ensure that OCM requires plans of correction for all deficiencies found during visits to vendor sites.

Agency Response: “HRA agrees with this recommendation and will continue to do so. It is OCM’s policy to obtain corrective action plans from vendors to address all non-compliance issues and which will continue. The partial compliance items cited in the audit report relate to low placements and retention and are specific to the difficulty in placing and retaining certain populations in employment. In the case cited in the audit report, OCM accepted the vendor’s explanation for partial compliance after confirming the high number of homeless clients served by that particular vendor. In the future, in cases such as this, documentation will be included in the file stating the reason a corrective action plan was not required.”

3. Encourage OCM to follow *The Contract Monitor's Cookbook for Human Services* guidelines concerning the assessment of each vendor's supervision and organization.

Agency Response: "HRA disagrees with this recommendation. The contract Monitors' Cookbook developed by HRA's ACCO in 1998 provides general guidelines to HRA's contract areas. HRA lets many different types of contracts including those that are paid on a budget line item basis and those that are paid upon the achievement of performance milestones. The employment services contracts are performance based contracts and unlike the line item contracts, vendors are only paid for verified placements and retentions regardless of the number of staff assigned to the contract. Consequently, this area of the Cookbook is not specifically applicable to the employment services contracts."

Auditor Comment: We continue to believe that OCM should assess vendor's supervision and organization in its monitoring reports because such assessments create opportunities for HRA to improve the organizational effectiveness of its employment-service vendors. By helping to strengthen vendors' organizational effectiveness, OCM would enhance the quality and efficiency of vendors' employment-service efforts for PA clients. Accordingly, we reaffirm our recommendation.

4. Ensure that the placement and retention data used in the evaluation of vendor performance are accurate.

Agency Response: "HRA disagrees with this recommendation. OCM relied on data in HRA's PACs system rather than data submitted directly by the vendors to determine the number of placements and retentions to be credited to the vendors. PACs represents the official count of the milestones a vendor has achieved. The data in PACs, although submitted by the vendor, has been documented and verified before being accepted into the system. In contrast, the data that the vendors submit directly is unverified and does not show that contractual milestones have been achieved. Consequently, OCM bases their performance evaluations on the official information."

Auditor Comment: We are puzzled as to why HRA would disagree with our recommendation that it should use accurate data to evaluate vendor performance. Furthermore, HRA's implication that we recommend that the agency use data submitted directly by the vendors is incorrect. We state no such thing. As stated in the report, we have concerns about the reliability of the PaCs data on job placement and retention payments that OCM used to evaluate vendors' job placement and retention efforts because we found that HRA often paid for job placements and retentions that were not adequately documented. Accordingly, we reaffirm our recommendation.

5. Ensure that its Employment Contractor Services unit documents its visits to vendor sites.

Agency Response: “HRA agrees, and is developing a formal process to document visits that includes visits to vendor sites. This formal documentation process will be coordinated across departments and used to monitor subsequent programs.”

6. Ensure timely follow-up reviews of all deficiencies cited by OCM in its vendor-evaluation reports.

Agency Response: “HRA agrees with this recommendation. OCM does require vendors to respond in writing to its monitoring reports within three weeks of report date with a detailed corrective action plan. OCM follows up with vendors during subsequent monitoring visits to ensure that the deficiencies have been corrected.”

Auditor Comment: We continue to believe that timely follow-up visits to vendor sites to resolve identified deficiencies would be more beneficial to the program than waiting six months for OCM’s next evaluation visit.

HRA Controls over the Eligibility Process Were Inadequate

HRA did not comply with its own guidelines and procedures for determining the eligibility of PA recipients. In addition, ineffective system controls allowed individuals with contradictory identification information to qualify for HRA employment services. For example, we found a program participant with three dates of birth (associated with one Social Security number) who was assigned three CIN numbers. Contradictory identification information creates the possibility of HRA providing clients duplicative public assistance payments and HRA employment services.

We examined the demographic and background information on the individuals in our samples of 25 duplicate names and 25 duplicate case numbers to determine whether HRA properly identified the individuals as being eligible for PA services. According to HRA officials, applicants for public assistance must first visit HRA job centers to have their applications processed. During the application process, demographic and background information on the applicant is recorded in POS. When a client applies for benefits, a case number is automatically assigned by WMS, a State database. Based on our review of the information available on our sample cases in HRA’s computer systems, the following weaknesses were identified:

Case Numbers Improperly Assigned

HRA did not properly supervise the assignment of case numbers to PA recipients. As a result, some case numbers were improperly assigned. HRA officials informed us that household members forming one economic unit who live at the same address must be assigned the same case number. Individuals who live at different addresses (or who live at the same address but have no legal responsibility to each other) should be assigned different case numbers. HRA officials also informed us that once a case is closed, only the original applicants or dependents can, upon re-entering the program, be assigned the closed case number. However, for 4 of the 25 duplicate case numbers in our sample, individuals who had the same case numbers were living at

different addresses or were assigned a closed case number even though they were not the original applicant or a dependent in the closed case. If a member of a PA household moves to another address, the person might no longer qualify for public assistance or for HRA employment services. Therefore, having clients living at different addresses than PA households with which they share case numbers raises concerns about HRA potentially overpaying for public assistance and employment services. Similarly, selecting a closed case number for an individual who was not part of the original PA household raises concerns about why HRA staff did not simply use the new case number that, according to HRA, WMS would have automatically assigned to the client.

In addition, HRA officials informed us that supervisors are required to approve HRA staff members' determinations of PA eligibility, including the assignment of case numbers. The lack of proper supervision in these cases resulted in case numbers being inappropriately assigned to applicants. By not complying with its own guidelines in assigning case numbers to individuals, HRA is putting its public assistance and employment service funds at risk.

PA Recipients with Dual Identity

HRA did not adequately verify applicants' identification before opening public-assistance cases. According to HRA procedures, an applicant for a PA benefit should go through a clearance process to ensure that the information entered in the computer system is correct and that the applicant is the person they claim to be. However, our sample cases included clients with more than one Social Security number or indicated date of birth. Although we did not find evidence that these clients obtained public assistance or employment services to which they were not entitled, the presence of dual identities in HRA systems increases the risk of such a result.

HRA requires that its staff review applicants' birth certificates, Social Security cards, and fingerprints to ensure proper identification. We reviewed the background information on our sample cases to ascertain whether the clients were unique cases that could qualify for public assistance and HRA employment services.⁴ We found four instances⁵ in which clients had more than one identity in HRA systems. In one case, HRA systems had two different Social Security numbers for the same client. This client was approved for an ITA voucher under the incorrect Social Security number. In the second case, the client had two different CIN numbers, under the same case number, even though a CIN number is a unique identifier for a particular individual.

In the third case, a PA recipient with an indicated date of birth of December 9, 1959 was approved for public assistance and food stamps on July 26, 2004. The case was closed on November 1, 2004. The same individual was re-approved for public assistance on April 1, 2005 and was assigned the same case number. However, when the client reapplied, although the Social Security number stayed the same, a different date of birth (December 2, 1959) was entered in NYCWAY, as well as a different CIN. In the fourth case, a PA case was opened in

⁴ For this test, we reviewed our samples of 25 cases with duplicate case numbers, 25 cases with duplicate names, and 25 cases with unique names and numbers.

⁵ One case was from the duplicate case numbers sample of 25, two from the duplicate names sample of 25, and one from the sample of 25 PA recipients with unique names and numbers.

1997 and closed in 2005. However, when the case was reopened for new PA benefits in February 2006, a different date of birth was recorded in NYCWAY and POS. In addition, the client's CIN was different in NYCWAY than it was in POS. Additional Social Security numbers, birth dates, and CINs in HRA databases for the same client could result in HRA paying vendors for employment services provided to clients who are ineligible for public assistance and, therefore, also ineligible for HRA employment services.

The above weaknesses relating to the assignment of case numbers and client identification numbers occurred, in part, because HRA did not ensure adequate supervisory oversight of the public assistance eligibility process. In addition, HRA computer systems do not have adequate controls built in to prevent its staff from creating new cases without completing the necessary steps. For example, to complete the application process, HRA staff should perform a clearance process in POS to ensure that the entered information does not conflict with other client information in NYCWAY and WMS. If there were adequate internal controls in POS, PA recipients with contradictory identification data would have been rejected. Because of these weaknesses, individuals who may not have been eligible for public assistance may have received such assistance and may have also been inappropriately provided HRA employment services. To mitigate the risk of the misuse of City funds and to prevent fraud, HRA should review the procedures it follows in processing applications for public assistance, establish proper internal controls in its computer systems, and ensure appropriate supervisory review of PA eligibility determinations.

Recommendations

HRA should:

7. Ensure that case numbers are properly assigned in accordance with HRA guidelines.

Agency Response: "HRA agrees with the auditor's conclusions on three out of the four cases cited as having improperly assigned case numbers. In order to improve our assignment of case numbers, FIA will request the Office of Training to include, as part of their ongoing training, refresher staff instruction on the procedure for reusing case numbers. HRA also agrees with two of the three auditors' case specific findings concerning individuals who do not live at the same address. The report shows three cases where individuals not living at the same address were assigned the same case number. The auditors indicated they used NYCWAY, whereas FIA Operations used WMS to verify addresses, and disagreed with one out of the three case error findings. WMS is HRA's official application of record.

"Please see the attached chart for the basis of our disagreement."

Auditor Comment: HRA agreed with the audit on three of the four cases that this report cites on this issue. On the fourth case, the documentation we received from HRA actually confirmed that this client had moved out of his parent's home in September 2004, but continued to receive employment services under his parent's case number.

8. Ensure that its staff follows all clearance procedures before approving public-assistance applications.

Agency Response: “HRA agrees with this recommendation and it is our practice to do so. It should be noted that internal and external clearances come from the State WMS system. Additionally, when referrals go to Eligibility Verification Review, Office of Child Support Enforcement, etc., there are processes in place to ensure staff check outcomes prior to case acceptances. HRA is confident in our application acceptance policy.”

9. Implement internal controls in its computer systems to prevent applicants for whom there is contradictory identification data from being approved for public assistance and employment services.

Agency Response: HRA did not respond to this recommendation but in regard to the finding states: “HRA disagrees with some of the auditors’ case specific findings pertaining to individuals with dual identities. HRA is confident in our application and approval process for public assistance and employment services. The report indicates there were discrepancies found with clients’ date of birth, social security number or CINs. Of the eight deficiencies cited by the auditors, FIA Operations disagrees with six. Once again, the auditors used NYCWAY and FIA Operations used WMS to identify current client specific data. WMS is the agency’s official application of record. Please see Attachment I for the basis of our disagreement.”

Auditor Comment: Our audit found date of birth, Social Security number, or CIN discrepancies for four (not eight) clients. HRA indicated in its Attachment I that it agrees that there was a discrepancy in the CIN number for one of the four clients. For the other three clients, HRA databases showed two or more Social Security numbers, dates of birth, or CIN numbers for each of these three clients. In addition, WMS showed three dates of birth and three CIN numbers for one of these three clients. Accordingly, our finding remains.

10. Ensure its supervisors properly review PA eligibility determinations.

Agency Response: “HRA agrees with this recommendation and has a current policy for supervisors to review eligibility determinations on cases. To enhance this capability, Selective Case Review is scheduled to begin in September 2007 at five Model Job Centers. In this process supervisors will only review targeted cases in some categories. By reducing the number of cases requiring 100% supervisory review, supervisors will have time to do a more thorough review.”

HRA’s Processing of Payments to Vendors Was Inadequate

HRA did not have adequate controls in place to ensure that milestone payments made to vendors were valid, accurate, and properly approved. Our review of 73 assessment, engagement,

placement, retention, and high-wage payments totaling \$72,522 found that there was insufficient evidence to support 18 payments totaling \$18,653 (26% of the amount paid). For many of these payments, HRA appears to have paid for milestones that were not, in fact, achieved. See Table I below for a breakdown of the questioned payments.

Table I
Questioned Milestone Payments

Category of Payments	Number of Payments	Dollar Amount
Total assessment, engagement, placement, retention, and High-wage payments	73	\$72,522
Category of Questioned Payments:	Number of Payments Questioned:	Dollar Amount Questioned:
Assessment (no supporting documentation)	1	\$250
Engagement (no supporting documentation)	1	\$500
Engagement (insufficient evidence)	2	\$750
Placement (no supporting documentation)	1	\$1,044
Retention (no supporting documentation)	1	\$1,500
Placement (insufficient evidence)	4	\$4,681
Retention (insufficient evidence)	6	\$9,010
High-wage (insufficient evidence)	2	\$918
Totals for questioned payments	18	\$18,653

Vendors that had contracts with HRA to provide employment services to PA recipients through the SAP and ESP programs regularly submitted claims for payment for these services. These claims were processed through PaCs. Our review of the claims and related supporting documentation for the PA recipients in our randomly selected samples of 25 individuals with unique case numbers and names and 25 approved ITA applicants disclosed that HRA had weak controls over the processing of vendor claims.

Assessment and Engagement Payments

HRA paid for assessment and engagement services without requiring SAP vendors to submit adequate evidence to support these payments.

During Fiscal Year 2005, an individual without employment barriers who applied for public assistance was referred to a SAP vendor associated with the job center. An employment plan was completed by HRA staff and the SAP vendor. SAP vendors provided assessment, engagement, and job-placement services to the PA clients for up to six weeks. If SAP vendors were unable to place the PA recipients in a job, HRA referred them to ESP vendors for additional employment services. According to HRA officials, the completion of the employment plan by the SAP vendor on NYCWAY is the evidence that the vendor provided assessment services. However, the employment plan alone did not show that the SAP vendor actually provided the orientation, testing, and evaluation services that should have been provided to obtain an assessment payment. HRA required SAP vendors to maintain attendance records, signed by clients and vendor staff, that showed clients' daily activities in the SAP program. However, HRA did not require that SAP vendors submit these records to HRA to support their assessment and engagement service claims. This was especially important for engagement services in that HRA did not require SAP vendors to provide any evidence, either on-line or on paper, to support their engagement claims.

The above weakness resulted in HRA making payment for services not provided. Our sample of 25 PA clients with unique case numbers and names involved 13 assessment and 13 engagement payments (totaling \$9,000). We reviewed supporting documentation on these 26 payments. A vendor was unable to locate supporting documentation for one assessment payment (for \$250) and one engagement payment (for \$500). In addition, attendance records did not substantiate two other engagement payments (totaling \$750). For one of these payments, the vendor was paid \$250 for part-time engagement, which required a minimum of 14 hours per week of engagement activities (interview and résumé preparation, job search, job counseling, etc.), but the client's file showed that they were engaged for only five hours per week. For the other payment, HRA paid a vendor \$500 for full-time engagement, which required a minimum of 35 hours per week, but the client was engaged for less than eight hours per week.

By not reviewing the supporting documentation of the assessment and engagement services provided by SAP vendors, HRA did not ensure that these services were actually provided to participants before paying the vendors. To mitigate this risk, HRA should establish sound monitoring procedures, including the review of documentation to substantiate assessment and engagement claims. This would better enable HRA to ensure proper payments to its employment-service vendors.

Job Placement, Retention, and High-Wage Payments

HRA made milestone payments to ESP vendors without consistently obtaining adequate documentation to substantiate vendors' claims. As a result, HRA made many payments to vendors without adequately verifying recipients' employment, work hours, or wages.

HRA contracted with ESP vendors to provide employment services to PA recipients to help them obtain and maintain paid employment. The recipients were offered job counseling, self-development workshops, and job training. ESP vendors were paid when their PA clients obtained jobs, remained in those jobs at the 13th and 26th week after initial placement, or attained

higher wages. Early in the audit, when we requested copies of relevant HRA procedures, HRA provided us with *Screening PaCs Payment Requests*. This written procedure states that:

“A placement milestone will be paid for either a subsidized or unsubsidized job placement with the proper documentation as follows: a) a pay stub **or** b) a copy of a paycheck from the employer’s payroll **or** c) a letter signed by the employer, on the employer’s stationary attesting to the participant’s wages and hours **or** d) the Employment Verification Form. This form must have the employer’s signature and stamp or seal.”

The manual also states that the same forms of documentation are acceptable to support claims for retention payments. At the exit conference held on February 26, 2007, HRA told us that the *Screening PaCs Payment Requests* procedure was only a draft. On March 14, 2007, HRA finally provided us with its *HRA Contract Fiscal Handbook* (the *Handbook*) that it now says is the procedure that was in effect during Fiscal Year 2005. While the *Handbook* does not explicitly state that the employment verification form must have a stamp or seal, the form itself instructs the employer to affix a stamp or seal to the form and the employer and the client to sign the form.

HRA made 44 placement and retention milestone payments (totaling \$62,479) relative to our sample of 25 PA recipients with unique case numbers and names and to our sample of 25 ITA participants. Supporting documentation was available for 42 of these 44 payments. The two payments for which there was no supporting documentation totaled \$2,544. Of the supporting documentation provided for these 42 claims, 21 were pay stubs or paycheck copies, and 21 were employment verification forms. However, for four placement payments (totaling \$4,681) that were supported by employment verification forms, the forms either did not have the stamp or seal of the employer, were not signed by the client, or did not indicate the number of hours worked per week. In addition, for six retention payments (totaling \$9,010) that were supported by employment verification forms, the forms either did not have the stamp or seal of the employer or were not signed by the client. In these instances, HRA did not require a properly completed employment verification form or call the employer to verify client employment information.

In one instance, a vendor submitted altered copies of the placement-claim employment verification form as evidence of 13th and 26th week retention. None of the forms were signed by the client. In addition, there is a letter from another employer in the case file that indicates that the client changed employers about one and one-half months after the initial job placement. However, the retention-claim employment verification forms still referred to the previous employer. Furthermore, the *HRA Contract Fiscal Handbook* states that if a client changes employers after placement, retention payments can only be paid if the client starts the new job within seven days of leaving the previous job. There is no indication in the file that this standard was met.

HRA should ensure that the documentation submitted by employment-service vendors to support their milestone claims meets the standards specified in its procedure manual. Employment verification forms without the employers’ seal or stamp or client signatures could

easily be completed by vendors seeking additional milestone payments. HRA staff should consistently ensure that employment verification forms are properly completed or call employers to verify client employment.

Furthermore, HRA did not consistently obtain information on clients' PA benefit status to determine the correct rate to pay vendors for a client achieving a 26th week retention milestone. As result, vendors were not consistently paid the correct rate. Twenty-six-week retention milestones are paid by HRA at 30 percent of the base rate specified in the contract, unless the client remains on public assistance at the 26th week, in which case the vendor should be paid at only 10 percent of the base rate. One of the retention claims that we noted above lacked an employer stamp or seal and a client signature on the employer verification form, HRA paid the vendor at the 30 percent rate (\$1,253) instead of at the 10 percent rate (\$418) for a client who continued to receive public-assistance benefits at the 26th week. As a result, HRA overpaid the vendor \$835. This resulted from the HRA staff not systematically verifying the client's PA benefit status before making the payment.

Finally, HRA did not consistently base bonus payments for high wages on the average weekly wage, as required by the contract. Bonuses reward vendors that place PA recipients in jobs where they earn a high wage. According to the HRA contract language, high wages "shall not be less than an average weekly wage of \$344.25 or such other amount as may be necessitated by federal regulations."

HRA paid high wage bonuses to vendors who placed two individuals in our sample of 25 PA recipients with unique case numbers and names and one individual in our sample of 25 ITA participants. However, of the three high wage bonus payments (totaling \$1,043), two payments (totaling \$918) were not justified. In one instance, the client was placed on the job on June 29, 2005. The client's pay stub dated October 2, 2005, showed year-to-date earnings of \$1,756, which represented an average wage of \$150 per week. In the other instance, the client was placed in a job on January 13, 2005, and the April 15, 2005 pay stub showed year-to-date earnings of \$2,520, which corresponds to an average wage of \$193 per week.

On a related matter, even though the SAP contracts stipulated higher payments for full-time versus part-time placements, the ESP contracts paid the same amounts for full-time and part-time placements, as long as the client worked at least 20 hours per week. This was the case even though the language in both types of contracts stated that "contractors shall strive to place participants in full-time positions." The new Back to Work contracts that have replaced the SAP and ESP contracts resemble the ESP contracts in that they also make no distinction between full-time and part-time placements. A payment differential for full-time versus part-time placements could encourage vendors to expend additional efforts locating full-time work for their clients.

Although the SAP and ESP contracts did not specifically refer to full-time versus part-time work in their retention payment schedules, they did make higher payments for retentions if the client no longer needed public assistance or received high wages, which would more likely result from full-time rather than part-time work. The new Back to Work contracts also provide higher retention payments for clients who no longer need public assistance. However, instead of a high wage provision, the new contracts provide a higher payment if a client receives a 10

percent wage gain relative to their starting wage. Replacing the high wage standard with a 10 percent wage gain is questionable as an incentive for full-time placements because a 10 percent wage gain is equally possible whether a client is employed on a full-time or part-time basis.

Milestone Payment Approval Codes

HRA paid vendor milestone claims without requiring the entry of approval codes (user IDs) in the PaCs system. The use of approval codes helps ensure that only authorized staff file, review, or approve vendor claims.

Except for SAP assessment and engagement claims as explained above, all other SAP and ESP vendor milestone claims were submitted through the PaCs system to DEPV. The vendors also sent supporting documents to DEPV for review. A vendor certified a claim by entering a user ID (i.e., an approval code) in PaCs that attested to the validity of the claim. However, DEPV staff informed us that they did not check the claims for user IDs. For 12 payments (totaling \$14,861) of the 44 payments we reviewed, vendor staff user ID codes were not entered. Yet the claims were paid by HRA. In addition, there is no field in the PaCs system that captures the approval code of the DEPV staff member who processed the claim. If the claim appears to be valid, DEPV staff accepted the claim in the PaCs system by simply entering a checkmark and then forwarding the approval to Accounts Payable. Thus, there is no evidence in PaCs that shows who in DEPV approved the claim. Vendor and DEPV approval codes can facilitate post-payment reviews by identifying the vendor and DEPV employees who submitted and approved the claims respectively.

Recommendations

HRA should:

11. Ensure that assessment and engagement claims submitted by employment-service vendors are reviewed and approved by HRA staff based on supporting documentation for each claim submitted.

Agency Response: “HRA agrees with this recommendation, and has taken measures to incorporate this review into the current process.”

12. Ensure that employment verification forms submitted by employment-service vendors include the required employer’s seal or stamp, client signature, and the hours worked per week.

Agency Response: “HRA agrees with this recommendation. The procedure entitled ‘Screening PACs Payment Requests’ which was inadvertently submitted to the Comptroller’s audit staff, was a draft document that was never formally finalized by the Deputy Commissioner for Fiscal Operations. Instead, “The Human Resources Administration’s Contract Fiscal Handbook” (revised October, 2004) which supersedes the aforementioned draft procedure is currently effective. The Fiscal Handbook specifies the documents employment contractors are required to provide to HRA in order to claim placement milestones. The Handbook reads as follows:

“Contractors must verify placement by submitting either 1) a dated pay stub, 2) a copy of a pay check, 3) a letter signed by the employer, participant, and contractor attesting to the fact that the participant is working at the reported wages and hours, 4) The Employment Verification Form, or 5) documentation obtained from an Employment Clearinghouse.” There is no mention of the employer’s stamp or seal being a requirement.’

Going forward HRA will ensure that the stamp or seal of the employer is affixed to all Employment Verification Forms as it is an essential part of the employer confirmation and authentication.”

13. Ensure that PA recipients meet the requirements for high wages before making bonus payments to vendors.

Agency Response: “HRA agrees with this recommendation. HRA will continue to utilize quality control functions that ensure these requirements are met.”

14. Ensure that claims are paid at the correct rate by verifying clients’ public-assistance status.

Agency Response: “HRA agrees with this recommendation, but disagrees with the finding upon which it is based. PACs contains an edit that determines the correct rate at which vendors are paid for each participant, based on their public assistance status, employed after the twenty-sixth (26th) week following the initial placement. We disagree with the finding that HRA paid the vendor at 30 percent of the base rate (\$1,253) instead of the 10 percent rate (\$418) for a client who continued to receive public assistance benefits at the 26th week. A review of the WMS case history screen indicates the client was sanctioned and removed from the case effective 7/25/05. As this is the agency’s official system of record, this document serves as proof that the client was not receiving public assistance benefits when HRA paid the vendor’s claim. (See Attachment II.)”

Auditor Comment: HRA is incorrect on this case. WMS records indicate that the client received public assistance benefits from July 17, 2004 to February 21, 2006. In fact, WMS records show that public assistance benefits were paid to the client on August 2, 2005—the same day HRA paid the vendor an additional \$835 for the client earning sufficient wages to eliminate the need for public assistance. More troubling than this is the fact that HRA is arguing in effect that it would be appropriate to pay a higher amount

to a vendor when clients are declared ineligible for public assistance, not because they are receiving sufficient wages, but because they failed to comply with the rules of the public assistance program.

15. Consider adding a full-time/part-time payment differential for placement payments under the new Back to Work program.

Agency Response: “Given the payment structure of the current contracts, implementation of this recommendation would be impractical at this juncture, but will consider it for the future, along with other contractual best practices.”

Auditor Comment: We believe that HRA should amend the Back to Work contracts to stipulate higher payments for full-time versus part-time placements. The fact remains that these contracts, which started in August of 2006, will not expire until 2009 and can be extended to 2012. Considering the amount of money involved, it would be prudent for HRA to amend these contracts to encourage vendors to enhance their efforts to place clients in full-time employment.

16. Consider restoring the high wage payment differential under the new Back to Work program.

Agency Response: “Given the payment structure of the current contracts, implementation of this recommendation would be impractical at this time. However, the contract does address incentive payments to vendors who best advance the Agency’s employment goals i.e., increase the rate of sanction case removal, and increase the work participation rate.”

Auditor Comment: We believe that HRA should amend the Back to Work contracts to restore the high wage payment differential. This could encourage vendors to enhance their efforts to place clients in high wage jobs.

17. Ensure that vendors certify claims filed in PaCs by including the vendor employee user ID code.

Agency Response: “HRA agrees with this recommendation and PACs currently conducts a review to ensure that all claims are accompanied by vendor’s employee user ID code.”

18. Create a field in PaCs that identifies the user ID of the DEPV employee who reviews and approves a milestone claim.

Agency Response: “HRA agrees with this recommendation and PACs currently has a field that identifies the user ID of the DEPV employee who reviews and approves a milestone claim. This feature was developed in PACs in February 2007.”

**HRA’s Adjustment of Newly Employed Clients’
Public-Assistance Benefits Is Not Consistently
Initiated in a Timely Manner**

HRA adjustments of the PA benefits of newly employed clients were not consistently initiated in a timely manner. HRA requires that vendors complete FIA-3A Job Notice forms within one week of a client’s job-start date in order to initiate a review of the impact of an increase in income on the client’s PA benefits. HRA also requires that its job-center staff promptly process FIA-3A forms upon receipt from the vendors. A written HRA procedure, “General Guidance and Clarification on Paying Employment Vendor Milestones,” states:

“Upon placing a participant in a job, but no later than one week after the participant starts working, the FIA-3A located in NYCWAY must be completed, regardless of whether the vendor has obtained all the required documentation. ...

“The moment an HRA staff person learns a participant is working, they must enter the information into NYCWAY & WMS so the individual’s PA benefit level can be updated to reflect his or her earned income.”

For the 20 job placements in our sample for which vendors were required to complete FIA-3A forms within five business days of the job-start date, the vendors completed 18 FIA-3A forms, 7 of which were filed late (between 10 and 51 business days after the job-start date). For example, one client started a job on July 5, 2004, and the vendor completed the form on September 16, 2004, a total of 51 business days later. For the two job placements for which vendors did not complete FIA-3A forms, HRA staff, having become aware of the job placements, completed the forms themselves. In these cases, HRA completed and processed the forms from 8 to 17 business days after the job-start dates.

Delays in adjusting public-assistance benefits due to job placements may lead to HRA overpaying such benefits.

Recommendation

19. Ensure that FIA-3A forms are completed and approved within the required time periods.

Agency Response: “HRA disagrees with this recommendation. State regulations require that the Agency continue to provide public assistance grants until it can be substantiated that a recipient is in actual receipt of income. Due to the State requirement, HRA does not initiate actual budgetary action until the first date of pay has been reached. The agency may not re-budget any PA grant until the client actually receives income. Re-budgeting would occur only after the first date of pay has been reached. The agency is then required to send a ten day notification to the client. It generally takes about a month to conclude the budgeting process. Of the seven cases cited, six (6) FIA-3A forms were completed within a month, the time frame that is in compliance with the State Regulatory processes.

“In the seventh example, the participant had several fair hearing requests to the State. He was granted several ‘aid to continues’ which interrupt the budgetary process until the hearing is resolved. The agency is required to restore the grant until the fair hearing process has been completed which in this case resulted in being budgeted within fifty four days from the job start date.

“Further, page 17 of the New York State Regulation LDSS-4148A (revised 11/02) entitled ‘What You Should Know About Your Rights and Responsibilities’ states the following:

“‘If you are getting Temporary Assistance ... you must tell your worker about changes right away [emphasis in the original] (within 10 days) and give your worker proof of the change (such as a pay stub, award letter, landlord statement).’ (See procedure 01-39)

“Consequently, although this case took fifty four days to be resolved, HRA acted in a timely manner given the constraints of the fair hearings regulations.”

Auditor Comment: Even though HRA states that it disagrees with the recommendation, its response does not address the recommendation or the finding upon which the recommendation is based. The audit raises the issue of vendors or HRA not completing FIA-3A forms in a timely manner, after clients are placed in jobs, in order to initiate reviews of the impact of an increase in income on clients’ PA benefits. Instead, HRA is discussing the completion of the PA benefit adjustment process. We continue to believe that HRA should make sure that FIA-3A forms are consistently completed within the required time frame to help ensure a timely review and adjustment of clients’ PA benefits.

Inconsistent Case Information in HRA Systems

HRA did not ensure the consistency of case information maintained in its various computer systems. Therefore, we could not determine which computer system data to rely on, if any.

HRA primarily uses three computer systems to process the information collected on its PA clients. POS is an internal system used by HRA’s job centers to document information obtained during interviews of applicants for public-assistance benefits. POS also maintains scanned images of HRA correspondence to clients, clients’ supporting documents, and vendors’ job-placement and -retention documents. According to HRA officials, POS serves as a single data-entry point for several HRA programs and automates the process of determining and re-certifying public assistance eligibility. POS is linked to several other databases, including WMS and NYCWAY, the two other systems widely used in the employment services program. WMS is a State program used to verify a client’s eligibility for public-assistance benefits. When the client’s public-assistance benefits become active, WMS keeps a record of all payments. NYCWAY is a City database used by HRA to track participants’ required employment activities. All these systems interface with each other in an attempt to track client information.

According to HRA officials, these computer systems synchronize their data in an overnight backup process so that each has the same information on clients by the next business day. However, we found that while WMS and NYCWAY synchronize data during the overnight update and, as a result, had consistent data, POS did not synchronize its data with WMS and NYCWAY and had contradictory benefits information on 9 of the 25 clients in our sample of clients with unique case numbers and names. NYCWAY showed that these nine PA cases were closed between April 4 and December 8, 2005, while as of February 13, 2006, the POS system stated that they remained active cases. HRA officials informed us that when one accesses a case in the POS system, POS is supposed to update the case record automatically to the most recent information in the NYCWAY system. However, the synchronization did not occur when we accessed these sampled case records in the POS system.

By not updating PA recipient information on a regular basis, HRA cannot be sure that the PA recipients that are accepted into its employment service programs are actually eligible.

Recommendation

20. HRA should ensure that the link between POS, NYCWAY and WMS is properly established and that all these systems have the same information at the completion of the overnight update.

Agency Response: “HRA agrees with this recommendation and is modifying its systems to ensure that the Review Case Activity will be synchronized with WMS and will be kept in POS Case Activity History. This modification is scheduled to be completed in the June 21, 2007 WMS/POS release.”



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PETER G. GLASE
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May 18, 2007

Mr. John Graham, Deputy Comptroller
Audits, Accountancy & Contracts
The City of New York
Office of the Comptroller
1 Centre Street
New York, NY 10007-2341

Re: Audit Report on the Human
Resources Administration's
Employment Services and
Placement Efforts for Public
Assistance Recipients
ME06-071A

Dear Mr. Graham:

We have reviewed the referenced draft report on the Human Resources Administration's (HRA) Employment Services and Placement Efforts for Public Assistance Recipients - ME06-071A. Please note that HRA has already implemented several of the recommendations identified in your report. We will continue to enforce them as we manage the contracts that allow us to enhance the programs that provide services to our clients.

The applications used in the administration of the agency's Employment Services Programs (ESPs) facilitate processing and do not determine eligibility or communicate with clients. The application of record, the state WMS system, is used for that purpose.

Below are our specific responses to the recommendations contained in the draft report.

Auditor's Recommendation #1:

HRA should ensure that the Office of Contract Monitoring conducts the required number of evaluation visits to each vendor each year.

Agency's Response:

HRA disagrees with this recommendation. The Contract Monitors' Cookbook developed by HRA's ACCO in 1998 provides general guidelines to HRA's contract areas. The specifics of the monitoring, including the number of visits, are determined by each contract area in the agency. It remains the goal of OCM to visit each vendor during the year. As noted in the audit, OCM conducted 19 visits to ESP and SAP contractors during FY

2005. In addition to OCM, staff from the regional offices of FIA's Office of Operations, also monitor the activities of employment contractors.

While we disagree that "PA recipients were inappropriately served under the audit review period", this exercise has allowed HRA to review its current practices with focus on improving the coordination of the monitoring functions being performed by the various areas with this responsibility. In this way we will promote more coherent monitoring and ensure the appropriate level of vendor services and contract compliance,

Auditor's Recommendation #2:

HRA should ensure that OCM requires plans of correction for all deficiencies found during visits to vendor sites.

Agency's Response:

HRA agrees with this recommendation and will continue to do so. It is OCM's policy to obtain corrective action plans from vendors to address all non-compliance issues and which will continue. The partial compliance items cited in the audit report relate to low placements and retention and are specific to the difficulty in placing and retaining certain populations in employment. In the case cited in the audit report, OCM accepted the vendor's explanation for partial compliance after confirming the high number of homeless clients served by that particular vendor. In the future, in cases such as this, documentation will be included in the file stating the reason a corrective action plan was not required.

Auditor's Recommendation #3:

HRA should encourage OCM to follow The Contract Monitor's Cookbook for Human Services guidelines concerning the assessment of each vendor's supervision and organization.

Agency's Response:

HRA disagrees with this recommendation. The contract Monitors' Cookbook developed by HRA's ACCO in 1998 provides general guidelines to HRA's contract areas. HRA lets many different types of contracts including those that are paid on a budget line item basis and those that are paid upon the achievement of performance milestones. The employment services contracts are performance based contracts and unlike the line item contracts, vendors are only paid for verified placements and retentions regardless of the number of staff assigned to the contract. Consequently, this area of the Cookbook is not specifically applicable to the employment services contracts.

Auditor's Recommendation #4:

HRA should ensure that the placement and retention data used in the evaluation of vendor performance are accurate.

Agency's Response:

HRA disagrees with this recommendation. OCM relied on data in HRA's PACs system rather than data submitted directly by the vendors to determine the number of placements and retentions to be credited to the vendors. PACs represents the official count of the milestones a vendor has achieved. The data in PACs, although submitted by the vendor, has been documented and verified before being accepted into the system. In contrast, the data that the vendors submit directly is unverified and does not show that contractual milestones have been achieved. Consequently, OCM bases their performance evaluations on the official information.

Auditor's Recommendation #5:

HRA should ensure its Employment Contractor Services unit documents its visits to vendor sites.

Agency's Response:

HRA agrees, and is developing a formal process to document visits that includes visits to vendor sites. This formal documentation process will be coordinated across departments and used to monitor subsequent programs.

Auditor's Recommendation #6:

HRA should ensure timely follow-up reviews of all deficiencies cited by OCM in its vendor evaluation reports.

Agency's Response:

HRA agrees with this recommendation. OCM does require vendors to respond in writing to its monitoring reports within three weeks of report date with a detailed corrective action plan. OCM follows up with vendors during subsequent monitoring visits to ensure that the deficiencies have been corrected.

Auditor's Recommendation #7:

HRA should ensure that case numbers are properly assigned in accordance with HRA guidelines.

Agency's Response:

HRA agrees with the auditor's conclusions on three out of the four cases cited as having improperly assigned case numbers. In order to improve our assignment of case numbers, FIA will request the Office of Training to include, as part of their ongoing training, refresher staff instruction on the procedure for reusing case numbers. HRA also agrees with two of the three auditors' case specific findings concerning individuals who do not live at the same address. The report shows three cases where individuals not living at the same address were assigned the same case number. The auditors indicated they used NYCWAY, whereas FIA Operations used WMS to verify addresses, and disagreed with one out of the three case error findings. WMS is HRA's official application of record.

Please see the attached chart for the basis of our disagreement.

Auditor's Recommendation #8:

HRA should ensure that its staff follow all clearance procedures before approving public assistance applications.

Agency's Response:

HRA agrees with this recommendation and it is our practice to do so. It should be noted that internal and external clearances come from the State WMS system. Additionally, when referrals go to Eligibility Verification Review, Office of Child Support Enforcement, etc., there are processes in place to ensure staff check outcomes prior to case acceptances. HRA is confident in our application acceptance policy.

Auditor's Recommendation #9:

HRA should implement internal controls in its computer systems to prevent applicants for whom there is contradictory identification data from being approved for public assistance and employment services.

Agency's Response:

HRA disagrees with some of the auditors' case specific findings pertaining to individuals with dual identities. HRA is confident in our application and approval process for public assistance and employment services. The report indicates there were discrepancies found with clients' date of birth, social security number or CINs. Of the eight deficiencies cited by the auditors, FIA Operations disagrees with six. Once again, the auditors used NYCWAY and FIA Operations used WMS to identify current client specific data. WMS is the agency's official application of record. Please see Attachment I for the basis of our disagreement.

Auditor's Recommendation #10:

HRA should ensure that its supervisors properly review PA eligibility determinations.

Agency's Response:

HRA agrees with this recommendation and has a current policy for supervisors to review eligibility determinations on cases. To enhance this capability, Selective Case Review is scheduled to begin in September 2007 at five Model Job Centers. In this process supervisors will only review targeted cases in some categories. By reducing the number of cases requiring 100% supervisory review, supervisors will have time to do a more thorough review.

Auditor's Recommendation #11:

HRA should ensure that assessment and engagement claims submitted by employment service vendors are reviewed and approved by HRA staff based on supporting documentation for each claim submitted.

Agency's Response:

HRA agrees with this recommendation, and has taken measures to incorporate this review into the current process.

Auditor's Recommendation #12:

HRA should ensure that employment verification forms submitted by employment service vendors include the required employer's seal or stamp, client signature, and hours worked per week.

Agency's Response:

HRA agrees with this recommendation. The procedure entitled "Screening PACs Payment Requests" which was inadvertently submitted to the Comptroller's audit staff, was a draft document that was never formally finalized by the Deputy Commissioner for Fiscal Operations. Instead, "The Human Resources Administration's Contract Fiscal Handbook" (revised October, 2004) which supersedes the aforementioned draft procedure is currently effective. The Fiscal Handbook specifies the documents employment contractors are required to provide to HRA in order to claim placement milestones. The Handbook reads as follows:

"Contractors must verify placement by submitting either 1) a dated pay stub, 2) a copy of a pay check, 3) a letter signed by the employer, participant, and contractor attesting to the fact that the participant is working at the reported wages and hours, 4) The Employment Verification Form, or 5) documentation obtained from an Employment Clearinghouse." There is no mention of the employer's stamp or seal being a requirement.

Going forward HRA will ensure that the stamp or seal of the employer is affixed to all Employment Verification Forms as it is an essential part of the employer confirmation and authentication.

Auditor's Recommendation #13:

HRA should ensure that PA recipients meet the requirements for high wages before making bonus payments to vendors.

Agency's Response:

HRA agrees with this recommendation. HRA will continue to utilize quality control functions that ensure these requirements are met.

Auditor's Recommendation #14:

HRA should ensure that claims are paid at the correct rate by verifying client's public assistance status.

Agency's Response:

HRA agrees with this recommendation, but disagrees with the finding upon which it is based. PACs contains an edit that determines the correct rate at which vendors are paid for each participant, based on their public assistance status, employed after the twenty-sixth (26th) week following the initial placement. We disagree with the finding that HRA paid the vendor at 30 percent of the base rate (\$1,253) instead of the 10 percent rate (\$418) for a client who continued to receive public assistance benefits at the 26th week. A review of the WMS case history screen indicates the client was sanctioned and removed from the case effective 7/25/05. As this is the agency's official system of record, this document serves as proof that the client was not receiving public assistance benefits when HRA paid the vendor's claim. (See Attachment II.)

Auditor's Recommendation #15:

HRA should consider adding a full-time/part-time payment differential for placement payments under the new Back to Work program.

Agency's Response:

Given the payment structure of the current contracts, implementation of this recommendation would be impractical at this juncture, but will consider it for the future, along with other contractual best practices.

Auditor's Recommendation #16:

HRA should consider restoring the high wage payment differential under the new Back to Work program.

Agency's Response:

Given the payment structure of the current contracts, implementation of this recommendation would be impractical at this time. However, the contract does address incentive payments to vendors who best advance the Agency's employment goals i.e., increase the rate of sanction case removal, and increase the work participation rate.

Auditor's Recommendation #17:

Ensure that vendors verify claims filed in PACs by including the vendor's employee user ID code.

Agency's Response:

HRA agrees with this recommendation and PACs currently conducts a review to ensure that all claims are accompanied by vendor's employee user ID code.

Auditor's Recommendation #18:

Create a field in PACs that identifies the user ID of the DEPV employee who reviews and approves a milestone claim.

Agency's Response:

HRA agrees with this recommendation and PACs currently has a field that identifies the user ID of the DEPV employee who reviews and approves a milestone claim. This feature was developed in PACs in February 2007.

Auditor's Recommendation #19:

HRA should ensure that FIA-3A forms are completed and approved within the required time periods.

Agency's Response:

HRA disagrees with this recommendation. State regulations require that the Agency continue to provide public assistance grants until it can be substantiated that a recipient is in actual receipt of income. Due to the State requirement, HRA does not initiate actual budgetary action until the first date of pay has been reached. The agency may not re-budget any PA grant until the client actually receives income. Re-budgeting would occur only after the first date of pay has been reached. The agency is then required to send a ten day notification to the client. It generally takes about a month to conclude the budgeting process. Of the seven cases cited, six (6) FIA-3A forms were completed within a month, the time frame that is in compliance with the State Regulatory processes.

In the seventh example, the participant had several fair hearing requests to the State. He was granted several "aid to continues" which interrupt the budgetary process until the hearing is resolved. The agency is required to restore the grant until the fair hearing process has been completed which in this case resulted in being budgeted within fifty four days from the job start date.

Further, page 17 of the New York State Regulation LDSS-4148A (revised 11/02) entitled "What You Should Know About Your Rights and Responsibilities" states the following:

"If you are getting Temporary Assistance ... you must tell your worker about changes right away [emphasis in the original] (within 10 days) and give your worker proof of the change (such as a pay stub, award letter, landlord statement)." (See procedure 01-39)

Consequently, although this case took fifty four days to be resolved, HRA acted in a timely manner given the constraints of the fair hearings regulations.

Auditor's Recommendation #20:

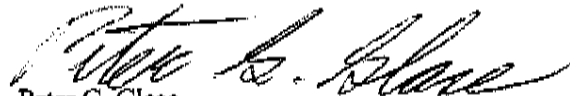
HRA should ensure that the link between POS, NYCWAY and WMS is properly established and that all these systems have the same information at the completion of the overnight update.

Agency's Response:

HRA agrees with this recommendation and is modifying its systems to ensure that the Review Case Activity will be synchronized with WMS and will be kept in POS Case Activity History. This modification is scheduled to be completed in the June 21, 2007 WMS/POS release.

We believe that the corrective actions described above address the findings and recommendations identified in this draft report. Should you require any additional information on this matter, please contact Hope Henderson, Director of the Bureau of Audit Coordination at (212) 331-6019.

Sincerely,



Peter G. Glase

Cc: Commissioner R. Doar
Roy A. Esnard
H. E. Brown

Attachment 1

Response To Audit On HRA's Employment Services To Placement Efforts & PA Recipients

Case Numbers Improperly Assigned:

NAME	NYCWAY CASE NUMBER	AGREE	DISAGREE	IF DISAGREE: REASON
F [REDACTED] L [REDACTED]	[REDACTED]	X		F [REDACTED] was a child on mother's case, suffix 1, she had a child. F [REDACTED] given case, mother became different suffix.
S [REDACTED] G [REDACTED]	[REDACTED]	X		Found conflicting addresses for client, 8/04 has client un-domiciled, now shows [REDACTED] St.
D [REDACTED] J [REDACTED]	[REDACTED]	X		No documentation found to show client at address of S [REDACTED]. 1/05 shows client at [REDACTED] St.
O [REDACTED] P [REDACTED]	[REDACTED]		X	Screens shows both clients were at address of record [REDACTED] South at application 5/04

Dual Identity - Individuals With Incorrect Social Security Numbers, Two Birthdates, Two CNS:

NAME	NYCWAY CASE NUMBER	AGREE	DISAGREE	IF DISAGREE: REASON
E [REDACTED] A [REDACTED]	[REDACTED]		X	Both case numbers show no discrepancy in SS #, DOB or CIN's
E [REDACTED] A [REDACTED]	[REDACTED]		X	Same as above
M [REDACTED] H [REDACTED]	[REDACTED]	X		Line 5(rejected 6-16-06) and line 7(closed 2-27-06) same client, center can not take action at this time, different CIN's.
M [REDACTED] H [REDACTED]	[REDACTED]	X		Same as above
M [REDACTED] L [REDACTED]	[REDACTED]		X	Line 3 suffix 2 closed 12/31/04 incorrect DOB center took action to correct Line 5, suffix 3 AC 3/21/05 correct DOB.
F [REDACTED] S [REDACTED]	[REDACTED]		X	No discrepancy found with DOB, SS # or CIN

FIA-3A Cases Initiated Untimely By JOS Workers:

NAME	NYCWAY CASE NUMBER	AGREE	DISAGREE	IF DISAGREE REASON
D [REDACTED] L [REDACTED]	[REDACTED]		X	7-12-05 JOS worker started FIA-3A/ 7-13 budgeted/ 7/20 vendor makes claim/ 7-21 case closed E31 Excess income . Action timely
L [REDACTED] L [REDACTED]	[REDACTED]		X	2-11-05 JOS worker started FIA-3A / 2-23 budgeted / 3-14 vendor makes claim/ 3-28 case closed E31, excess income. Action timely.

ATTACHMENT II

MAPER-A (99688)

File Edit Functions Scripts Session Release Help

ARCHIVED DATA PIW

Activity Inquiry

Casenumber : 0000 Suffix : 01 Linenumber : 01 Case Type : FA
 Appreg : 0000 CIN : SSM : - -
 Program: UNDEFINED UNDEFINED STATUS
 Status : UNDEFINED STATUS

Name : L L S Office : ES Code : 20
 Sex : F Unit : Comp Code: 011
 DOB : / / Worker : 00 Ind Stat : CL

	DATE	ACTION/DESCRIPTION	STATUS	CMP	FUT	DATE	OFF	WORKR	SITE
[]	09/14/05	709W FH REQ - WALK-IN	XXXXX	709U	/	/	SYS	SYSTEM	
[]	09/07/05	438N FIR/FIC SN EMPL REF	XXXXX	438N	/	/	B46	SYSTEM	
[]	09/06/05	100A CASE NOTE	INTRT	100A	/	/	b46	E1052	
[]	09/02/05	133S C. CARE RETURN APPT	INTRT	438N	09/07/05		B46	E6207	
[]	09/02/05	119A EP INITIATED	XXXXX	119Z	09/02/05		B46	E6207	
[]	07/25/05	693 IND RMUL: SANCTION	xxxxxxx	693	/	/	SYS	SYSTEM	
[]	07/08/05	410 NOI SENT	CNCN5	693	07/22/05		B46	ISO	
[]	07/07/05	830 Good cause not grant	CNCN4	830	/	/	B46	E0997	
[]	06/28/05	400D CONCIL. INITIATED	CNCN4	410	07/07/05		B46	SYSTEM	

Next Case: Next Suffix: Next Line Number: