

# AUDIT REPORT



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

## **Audit Report on the Human Resources Administration Controls over Payments to Vendors Who Provide Emergency Housing to Clients of the HIV/AIDS Services Administration July 1, 2002–June 30, 2003**

*FL04-108A*

**June 29, 2005**



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 reviewed Human Resource Administration controls over payments to vendors who provide emergency housing to clients of the HIV/AIDS Services Administration.

The results of our audit, which are presented in this report, have been discussed with officials of the Human Resource Administration, and their comments have been considered in preparing this report.

Audits such as this provide a means of ensuring that payments made by the City to private concerns are reasonable, justified, and adequately supported.

I trust that this report contains information that is of interest to you. If you have any questions concerning this report, please contact my audit bureau at 212-669-3747 or e-mail us at [audit@Comptroller.nyc.gov](mailto:audit@Comptroller.nyc.gov).

Very truly yours,

A handwritten signature in black ink, appearing to read "William C. Thompson, Jr.", written in a cursive style.

William C. Thompson, Jr.

WCT/GR

**Report: FL04-108A**  
**Filed: June 29, 2005**

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

**Audit Report on the Human Resources Administration  
Controls over Payments to Vendors Who Provide  
Emergency Housing to Clients of the  
HIV/AIDS Services Administration  
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**AUDIT REPORT IN BRIEF**

This audit determined whether the Human Resource Administration (HRA): complied with the City Charter and Procurement Policy Board (PPB) rules when entering into agreements with vendors for emergency housing services; complied with Comptroller's Directives and other applicable regulations when making payments to vendors; had adequate procedures in place to ensure that vendors are paid only for housing services provided to eligible individuals; and ensured that the facilities were maintained in a safe and sanitary condition.

**Audit Findings and Conclusions**

HRA did not comply with the City Charter and Procurement Policy Board (PPB) rules when HRA procured emergency housing services from vendors without first entering into formal contracts. In addition, HRA did not comply with Comptroller's Directives and other applicable regulations in making its payments to vendors. Further, HRA did not have adequate procedures in place to ensure that vendors were paid only for housing services provided to eligible individuals. Consequently, HRA made approximately \$2.2 million in questionable payments to vendors. Finally, while most facilities we visited were maintained in a safe and sanitary condition, certain units were found to be in disrepair.

## **Audit Recommendations**

To address these issues, we recommend that HRA:

- Procure emergency housing services in accordance with the provisions of the City Charter and PPB rules by:
  - entering into formal contracts with the operators,
  - ensuring that contracts contain measurable performance standards and penalties for poor performance, and
  - registering the contracts with the Comptroller's Office.
- Review and reconcile invoices, registration logs, and FACTORS data before paying vendors. The registration logs should be maintained in the payment files to substantiate amounts paid to vendors.
- Periodically obtain SSA death records and match them with the list of HASA clients to determine whether improper payments are being made.
- Recoup the \$2,192,597 in improper payments from emergency housing vendors.
- Ensure that payments made to emergency housing vendors are for only eligible clients who have been assigned to the billing facility and who are actually occupying their units.
- Discontinue its use of miscellaneous vouchers to pay vendors for emergency housing.
- Ensure that vendors are providing clean and safe emergency housing for its HASA clients.

## **INTRODUCTION**

### **Background**

The Human Resource Administration's (HRA) HIV/AIDS Service Administration (HASA) is responsible for providing temporary emergency shelter to medically-eligible homeless individuals living with Human Immunodeficiency Virus (HIV) or Acquired Immune Deficiency Syndrome (AIDS). To be eligible for emergency shelter, applicants must be homeless and must document that they have been diagnosed with clinical symptomatic HIV illness or with AIDS, as defined by the federal Centers for Disease Control and Prevention (CDC) or the New York State AIDS Institute. Once the individual is approved for emergency housing, the Emergency Placement Unit (EPU) will refer the client to a Single Room Occupancy (SRO) Facility.

During Fiscal Year 2003, HRA paid approximately \$34 million to the 36 vendors who operate 68 facilities that provide emergency housing to HASA clients—\$22.8 million paid using miscellaneous vouchers and \$11.8 million paid using Purchase Orders.

### **Objectives**

Our audit objectives were to determine whether HRA:

- Complied with the City Charter and Procurement Policy Board (PPB) rules when entering into agreements with vendors for emergency housing services;
- Complied with Comptroller's Directives and other applicable regulations when making payments to vendors;
- Had adequate procedures in place to ensure that vendors are paid only for housing services provided to eligible individuals; and
- Ensured that the facilities were maintained in a safe and sanitary condition.

### **Scope and Methodology**

The scope of this audit covered July 1, 2002, through December 31, 2004. We reviewed PPB rules, City Charter, Comptroller's Directives, and other applicable regulations. We interviewed HRA officials and conducted a walk-through of operations, documenting the results through memoranda.

To determine the total dollar amount HRA spent on emergency housing for HASA clients, we reconciled payments made to vendors from the City's Financial Management System (FMS) to HASA's payment summaries, vouchers, and vendor invoices.

To determine whether HRA paid vendors for only emergency housing provided to HASA clients, we randomly selected 50 of 437 purchase orders and 50 of 516 miscellaneous vouchers issued during the audit period. In addition, for five randomly-selected facilities, we reviewed all 99 miscellaneous vouchers totaling \$6,314,735 processed for the audit period. For each voucher and purchase order, we traced billing information (clients' names, social security numbers, and the number of days emergency housing was provided) on the vendor invoices to the HRA Family Tracking System (FACTORS). FACTORS is a computerized database that tracks the movement of HASA clients from initial placement in emergency shelter to any subsequent placements or movements to other facilities.

We intended to trace clients listed on the above-mentioned invoices to the "weekly registration logs" (client sign-in sheets that vendors are required to submit to HRA each week) for the audit period. However, an HRA official informed us that they

do not maintain these registration logs; they are shredded and discarded after a week. As an alternative, to satisfy our audit objectives, we obtained weekly registration logs for calendar year 2004 from the highest-billing five vendors as of December 14, 2004. We compared the names listed on the weekly registration logs for calendar year 2004 to the invoices submitted to HRA for payment.

In addition, we performed a match of an electronic file containing HASA clients who received emergency housing during Fiscal Year 2003 against the Social Security Administration's (SSA) death records. We identified 164 individuals who received emergency housing during the year of their death. We then reviewed FACTORS, client files, and vendor invoices to determine whether HRA paid for emergency housing after the dates of death.

Finally, at the five facilities for which we reviewed weekly registration logs, we inspected 91 units out of 441 units occupied by HASA clients to determine whether the facilities were maintained in safe and sanitary conditions. Our inspections were conducted from December 15, 2004, to January 10, 2005.

The results of the above tests, while not projectable to their respective populations, provided a reasonable basis to assess HRA's procedures in place to ensure that vendors are paid only for housing services provided to eligible individuals.

This audit was conducted in accordance with generally accepted government auditing standards (GAGAS) and included tests of the records and other auditing procedures considered necessary. This audit was performed in accordance with the City Comptroller's audit responsibilities 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 and discussed at an exit conference held on May 13, 2005. On May 24, 2005, we submitted a draft report to HRA officials with a request for comments. We received a response from the HRA on June 15, 2005.

In their response, HRA officials stated that they generally agreed with the audit recommendations; however, they took exception with most of the audit findings. HRA's specific comments and our rebuttals are contained in the relevant sections of this report.

The full text of the HRA response is included as an addendum to this report.

## FINDINGS AND RECOMMENDATIONS

We found that HRA did not comply with the City Charter and Procurement Policy Board (PPB) rules when HRA procured emergency housing services from vendors without first entering into formal contracts. In addition, HRA did not comply with Comptroller's Directives and other applicable regulations in making its payments to vendors. Further, HRA did not have adequate procedures in place to ensure that vendors were paid only for housing services provided to eligible individuals. Consequently, HRA made approximately \$2.2 million in questionable payments to vendors. Finally, while most facilities we visited were maintained in a safe and sanitary condition, certain units were found to be in disrepair.

These issues are discussed in further detail in the following sections of this report.

### **Noncompliance with the City Charter and PPB Rules**

HRA violated City Charter requirements and PPB rules by using 36 vendors to provide housing to HASA clients at 68 facilities without first entering into formal contracts. In general, the City Charter and the PPB rules require that contracts be awarded through competition. Instead, HRA either entered into a Memorandum of Understanding (MOU) or it had an informal arrangement with the vendor providing the service.

The failure by HRA to have written evidence of the terms of its agreements with vendors can lead to conflicting interpretations of the terms of those agreements. Without written contracts, any agreements that are reached between the City and the operators may be unenforceable. (It should be noted that, according to an HRA official, the MOUs are not legally binding contracts and cannot be enforced. In fact, many of the MOUs state that they are "not enforceable at law.") Written contracts incorporate a clear statement of the obligations of both parties, including the social services that the vendors are required to provide. Formal contracts would establish performance standards and enhance the monitoring of vendors. In this regard, the contractor selection process, mandated by the City Charter and the PPB rules, is an important safeguard to ensure that the City funds are effectively applied to provide quality service for clients.

In addition, the Charter requires that all contracts and agreements be registered with the Comptroller's Office since the Comptroller is responsible for tracking City expenditures and maintaining a registry of City contracts. Obviously, HRA has not complied with this provision.

A prior audit report entitled *Human Resources Administration's Division of AIDS Services and Income Support's Controls Over Payments to Privately Owned Hotels for DASIS Clients* (ME97-181A), issued on October 16, 1998, recommended that HRA enter into contracts with vendors providing these types of services. However, despite the passage of nearly seven years since that report was issued and despite the payments having more than doubled during that time (from \$16 million paid in Fiscal Year 1997 to

\$34 million paid in Fiscal Year 2003), HRA continues its noncompliance with City Charter provisions and PPB rules.

### **Recommendation**

1. HRA should procure emergency housing services in accordance with the provisions of the City Charter and PPB rules by:
  - entering into formal contracts with the operators,
  - ensuring that contracts contain measurable performance standards and penalties for poor performance, and
  - registering the contracts with the Comptroller's Office.

***HRA Response:*** “HRA disagrees with this finding and recommendation. Prior to entering into MOUs with emergency housing vendors, HRA consulted with Corporation Counsel. It was Corporation Counsel’s position that entering into MOUs did not violate City Charter requirements or PPB rules. Because HRA was paying rents on behalf of public assistance recipients, there was no need to develop a contractual relationship between HRA and the housing provider.”

***Auditor Comment:*** We disagree with HRA’s position that: “Because HRA was paying rents on behalf of public assistance recipients, there was no need to develop a contractual relationship between HRA and the housing provider.” In general, the City Charter and the PPB rules state that, “except as otherwise provided by law, these Rules shall apply to the procurement of all . . . services . . . to be paid out of the City treasury or out of monies under the control of . . . the City.” In addition, the PPB rules contain provisions for contracting with providers of “client services,” which the rules define as:

“Programs contracted for by the City of New York on behalf of third-party clients, including programs to provide social services, health or medical services, **housing** and shelter assistance services, legal services, employment assistance services, and vocational, educational, or recreational programs. Client services are sometimes referred to as ‘human services’ and government agencies whose primary missions involve the award and administration of such contracts, or provision of the same or similar services by agency employees, are sometimes referred to as ‘human services agencies.’ Examples of client services include, but are not limited to, day care, foster care, mental health treatment, operation of senior centers, home care, employment training, **homeless assistance**, preventive services, health maintenance organizations, youth services, and the like.”  
[Emphasis added.]

Finally, we are concerned that HRA would take an opposing position on this issue when Department of Homeless Services (DHS) agreed to establish contracts with the majority of its uncontracted facilities—hotels and scatter site housing—with which the City had relationships (*Audit Report on Department of Homeless Services Controls Over Payments to Hotel and Scatter Site Housing Operators July 1, 2001—June 30, 2002* Audit #FM03-123A issued October 1, 2003).

### **Questionable and Improper Payments**

We found that HRA is not reviewing the client registration logs and information on FACTORS before paying vendor invoices. As a result, HRA paid for: clients who did not sign the registration logs; clients after their date of death; services or individuals not recorded on FACTORS; housing services after clients left the facilities; and duplicate billings. In total, HRA made questionable and improper payments totaling \$2,192,597 to vendors providing emergency housing to HASA clients during our audit period. Specifically, HRA improperly paid:

- \$1,000,266 to vendors whose clients did not sign registration logs. According to the MOU, the registration logs are to be used “to verify each client’s continued occupancy.” Therefore, the logs provide a key control for ensuring that HRA is paying for services actually provided. This problem was found at all five vendors covered by our registration log review. Moreover, as mentioned earlier, an HRA official informed us that the logs are shredded and discarded after a week. Given the importance of these documents, they should be maintained on file to substantiate payments made to the vendors.

***HRA Response:*** “HRA disagrees with the finding that we erroneously paid \$1,000,266 to providers whose clients did not sign registration logs. To begin with, the document that was not signed was the hotels’ signature roster, and not the registration log, as stated in the finding. Due to the instability of the health of HASA’s clients and other social issues, failure on their part to sign the hotel’s signature roster is not sufficient cause to initiate an automatic room closure, or the cessation of payment to the provider for that room. Clients might not sign signature rosters for many reasons not least of which may have been that they had fallen ill and been hospitalized. None of the possible legitimate reasons would trigger the closing of the client’s room. Since HASA cannot verify that clients were *not* at the hotel, we are unable to request recoupment for the payments identified in the report. To address the broader issue of ensuring that our clients are provided with the housing that they need, we have initiated a process that will automatically and electronically provide nightly occupancy statistics and details on every HASA client in emergency housing. This system will automatically track clients residing at an SRO.”

***Auditor Comment:*** Contrary to HRA’s response, the documentation we reviewed from each hotel is entitled *Commercial SRO Hotel Registry for EPU Clients* that

vendors submitted to HRA as registration logs, as required by HRA's MOU, which states:

“The Operator further agrees to have the referred Eligible Person sign a registration log weekly to verify that he/she is still an occupant, and to submit the weekly registration log to EPU, to verify each clients continued occupancy.”

In addition, the MOU contains a provision that deals with clients who do not sign registration logs, as follows:

“In the event that the Operator is unable to obtain the signature of any referred Eligible Person on the weekly registration log, the Operator is advised to immediately contact EPU to determine whether the individual has been relocated from the Facility.”

If an individual does not sign the registration log, HRA should immediately investigate whether this individual is occupying a room at that facility for the dates that HRA is paying for, as required by the MOU, which states:

“HRA shall pay the Operator a nightly rate of [ ] for each night the Eligible Person Occupies a room in the Facility for an overnight period.”

Further, we are mystified by HRA's assertion that it cannot recoup payments from vendors because it cannot prove that these clients were not at these hotels. Clearly, based on the MOU it is responsibility of the Operator to substantiate its invoice to HRA for payment.

Finally, HRA is unclear about what their new procedure would be. According to the MOUs, the registration log is a key control to verify client occupancy. If HRA's new procedure does not address this issue, the payment process will continue to be open to waste, mismanagement, fraud, and abuse.

- \$182,391 to vendors for 26 clients after their death. Specifically, 12 vendors submitted invoices to HRA and were improperly paid for between two days to more than two years after the clients' dates of death. The worst offender was one vendor who continued to bill HRA for three deceased individuals from a year and a half to two years after their deaths. In fact, this vendor submitted invoices for and received \$137,920 (76 percent) of the \$182,391 improperly billed. These problems could have been avoided had HRA reviewed FACTORS, which in most cases indicated that the clients were dead. Since our review covered only HASA clients who died in Fiscal Year 2003, the strong possibility exists that emergency housing vendors continue to bill HRA for individuals who died in subsequent years.

We informed HRA of this problem in a letter dated December 16, 2004. (See Appendix I.) In that letter we stated that \$239,751 was paid by HRA for housing services for 28 clients after their dates of death. (This amount was adjusted to \$182,391 based on further research.) We recommended that HRA immediately investigate the improper payments and commence prompt recoupment action against the vendors. We also recommended that HRA forward to the Department of Investigation, if the circumstance warrants such action, the names of those vendors associated with the improper billings. Finally, we recommended that HRA obtain SSA death records for Fiscal Years 2004 and 2005 and match them with the list of HASA clients to determine whether improper payments were made in those years and commence appropriate recoupment action.

In its response, HRA claimed that three of the 28 individuals cited in our letter were alive. (See Appendix II.) In addition, HRA agreed with our recommendations and provided a corrective action plan describing the steps that it has taken or plans to take to address the issue.

***HRA Response:*** “As indicated in our corrective action response letter of January 14, 2005, regarding the \$182,391 payment to providers for clients after their death, HRA agrees and where appropriate, we have referred those cases to the IG.”

- \$456,292 for 196 clients on or after their last date of occupancy at a facility. Specifically, 13 vendors submitted invoices and were paid for housing these clients for between one day and more than 190 days after leaving the facilities. According to the MOUs, HRA is required to pay only “for each night the [client] occupies a room in the Facility for an overnight period.”

***HRA Response:*** “HRA disagrees with the finding that \$456,292 was paid erroneously for 196 clients on or after their last date of occupancy at a facility. Upon reviewing the detail of these payments we found that \$13,109 of the \$456,292 was appropriately paid and that the discrepancy was with the exit or last day of the clients stay. HRA agreed to pay for this day; consequently, these payments were proper, thus no recoupment action is required. As for the remaining \$443,183, we are awaiting additional detailed information from the Comptroller’s Office regarding the clients involved so that we may determine the appropriate action to take.”

***Auditor Comment:*** We question how HRA can disagree with this finding when it has not investigated \$443,183, or 97 percent, of the payments cited. In addition, we disagree with HRA’s decision to pay operators \$13,109 for client exit days because it contradicts its MOU, which states:

“HRA shall pay the Operator a nightly rate of [ ] for each night the Eligible Person Occupies a room in the Facility for an overnight period.”

Clearly, the eligible person did not occupy a room in the facility for an overnight period on their exit day.

Finally, HRA has been aware of this issue since April 19, 2005; and the Comptroller’s Office provided HRA with all the information needed to investigate these cases. Specifically, we provided HRA with the client names, social security numbers, voucher numbers, names of hotels, dates involved, and the payments cited.

- \$417,463 for housing services for individuals not recorded on FACTORS.
- \$118,185 in duplicate billings.

**HRA Response:** “HRA is in disagreement with how the auditors concluded that \$417,463 in payments were made for individuals not recorded on FACTORS as well as the \$118,185 in duplicate billings and are awaiting detailed information from the Comptroller’s Office to determine the appropriate action to take.”

**Auditor Comment:** Again, we question how HRA can disagree with this finding when it has not investigated the payments cited. Again, HRA has been aware of this issue since April 19, 2005; and the Comptroller’s Office provided HRA with all the information needed to investigate these cases. Specifically, we provided HRA with the client names, social security numbers, voucher numbers, names of hotels, dates involved, and the payments cited.

- \$18,000 to one vendor who billed HRA \$2,030 but was paid \$20,030.

**HRA Response:** “HRA agrees with the finding that one provider who billed HRA for \$2,030 was paid \$20,030. We have informed the provider of the overpayment and have initiated a recoupment process.”

#### Recommendations

HRA should:

2. Review and reconcile invoices, registration logs, and FACTORS data before paying vendors. The registration logs should be maintained in the payment files to substantiate amounts paid to vendors.
3. Periodically obtain SSA death records and match them with the list of HASA clients to determine whether improper payments are being made.

4. Recoup the \$2,192,597 in improper payments from emergency housing vendors.
5. Ensure that payments made to emergency housing vendors are for only eligible clients who have been assigned to the billing facility and who are actually occupying their units.

**HRA Response:** HRA officials did not specifically address Recommendations 2 to 5.

### **Improper Use of Miscellaneous Vouchers**

As mentioned earlier, HRA did not have contracts with the 36 vendors. During Fiscal Year 2003, HRA paid vendors \$22.8 million using miscellaneous vouchers and \$11.8 million using purchase orders. Using miscellaneous vouchers violated Comptroller's Directive 25, which states:

“Miscellaneous Vouchers were created explicitly for vouchering payments in situations when agencies cannot predetermine the amount which will be spent for certain payments, and when Advices of Award or Purchase Orders are not required or applicable. The inappropriate use of Miscellaneous Vouchers contributes to the distortion of the City's books of account by understating the City's outstanding obligations.”

Obviously, HRA did not have to violate the provisions of the directive since it used purchase orders to make \$11.8 million in payments to vendors.

**HRA Response:** “HRA disagrees with this finding. HRA began to acquire hotels, on an emergency basis, as a means of temporarily housing medically eligible homeless individuals living with HIV/AIDS. With the need for suitable housing steadily increasing at that time, the City's stock of available apartments was nearly exhausted. Further, as we were mandated by law to provide medically appropriate housing for clients on the day of their application, we used several hotels throughout the City. In addition, because of the constraints under which we operated, and the crisis that was developing, we were unable to determine the frequency with which each facility would be used, thus were unable to predetermine payment amounts. This emergency situation dictated that we used miscellaneous vouchers as the method of payment. Consequently the \$22.8 million in miscellaneous vouchers cited in the audit were paid under these circumstances. The Comptroller's Directive #25 permits the use of miscellaneous payment vouchers in these situations. You should note that towards the end of FY 2004, the group of hotels from which HRA obtains emergency housing services, became more stable. Accordingly, we discontinued the use of miscellaneous vouchers to pay for these services in FY 2005.

“As noted in the report \$11.8 million was properly paid using purchase orders and via the FACTORS Automated Billing System to providers with whom we had Memoranda of Understanding. These providers differ from those initially established, in that they were a core group with whom we had a stable relationship. We knew we would use their facilities multiple times and were thus able to pre-determine payment amounts.”

**Auditor Comment:** Contrary to HRA’s assertion, the use of miscellaneous vouchers was inappropriate. As stated previously, HRA used purchase orders to pay some vendors. If HRA could estimate the frequency and payment amounts for these vendors, it could have done the same for all vendors.

In addition, if in fact these purchases can be considered emergency purchases, HRA did not follow Section 3-06 of the PPB rules which govern emergency purchases. Although Section 3-06 gives agencies the authority to make emergency procurements to ensure that necessary services are provided, it stipulates specific steps that must be taken, none of which were followed by HRA. Specifically, HRA did not:

- Obtain the prior approval of the Comptroller and the Corporation Counsel.<sup>1</sup>
- Submit a written determination of the basis of the emergency and the selection of the contractor to the Comptroller and the Corporation Counsel for written approval. Section 3-06 states that the written determination shall include:
  - Date emergency first became known;
  - List of goods, services, and construction procured;
  - Names of all suppliers solicited;
  - Basis of supplier selection;
  - Contract prices;
  - Past performance history of the selected supplier;
  - Listing of prior or related emergency contract; and
  - PIN.

Section 315, Emergency Procurement, of the City Charter also addresses this issue by stating:

“Notwithstanding the provisions of section three hundred twelve of this chapter, in the case of an unforeseen danger to life, safety, property or a necessary service, an emergency procurement may be made with the prior approval of the comptroller and corporation counsel, provided that such procurement shall be made with such competition as is practicable under the circumstances, consistent with the provisions of section three hundred seventeen of this

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<sup>1</sup> HRA did not provide us any supporting documentation that it received prior approval from Corporation Counsel or submitted a written determination to Corporation Counsel.

chapter. A written determination of the basis for the emergency and the selection of the contractor shall be [filed with the procurement policy board] *placed in the agency contract file* and the determination or summary of such determination shall be included in the notice of the award of contract published pursuant to section three hundred twenty-five of this chapter.” [Emphasis in original]

In any case, any emergency purchases made in accordance with PPB rules involve contracts that should not be paid with miscellaneous vouchers.

### **Recommendation**

6. HRA should discontinue its use of miscellaneous vouchers to pay vendors for emergency housing.

***HRA Response:*** HRA officials did not specifically address this recommendation.

### **Poor Conditions at Certain Facilities**

We inspected 91 units in five facilities. We found that the 91 units were generally in satisfactory condition. However, 25 units had unsafe and unsanitary conditions that required correction. These conditions included the presence of roaches, peeling paint, leaking faucets, water damage and mold on ceilings and walls, and broken tiles. Moreover, some residents reported that their apartments were infested by mice and/or roaches. (Appendix III contains a list of problem conditions by address and apartment number. Appendix IV contains photographs of conditions we noted in certain apartments.) After discussing these issues with building representatives, they indicated to us that the poor conditions we observed would be addressed.

***HRA Response:*** “HRA agrees that providers should provide clean and safe emergency housing for HASA clients. As stated earlier, we are disappointed in the way this finding was reported. Our efforts to ensure safe and appropriate housing for our clients is reflected in the generally satisfactory condition that the auditors observed during their visits to the facilities.

“The standards established for HASA’s emergency facilities require that the facilities be safe, medically appropriate, and suitable for the living needs of our clients. To ascertain if the emergency facilities adhere to these requirements, the Inspection Unit staff conducts regularly scheduled physical inspections during which the entire facility is reviewed in detail and all observed deficiencies are recorded on an inspection checklist. Those facilities that do not receive satisfactory reviews are placed on non-referral status. Facilities in this status do not receive any new clients. Facilities that are placed in non-referral status twice during the term of the MOU are considered for discontinuance of use. See

Appendix 2 [of the HRA response] for the entire procedure for inspecting these facilities.”

***Auditor Comment:*** We are pleased that HRA has established standards for HASA emergency facilities. However, since HRA’s response did not specifically address the unsafe and unsanitary conditions in 25 units we cited in the report, we are concerned that HRA did not in fact address these issues.

**Recommendation**

7. HRA should ensure that vendors are providing clean and safe emergency housing for its HASA clients.

***HRA Response:*** HRA officials did not specifically address this recommendation.



Greg Brooks  
DEPUTY COMPTROLLER  
POLICY, AUDITS, ACCOUNTANCY & CONTRACTS

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WILLIAM C. THOMPSON, JR.  
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APPENDIX I

1 of 4

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December 16, 2004

The Honorable Verna Eggleston  
Commissioner  
Human Resources Administration  
180 Water Street  
New York, NY 10038

Dear Commissioner Eggleston:

As you are aware, we are currently auditing your agency's procedures for payments to vendors who provide shelter to HIV/AIDS Services Administration (HASA) clients (Audit #FM04-108A). Although the audit is not complete, I wish to bring a matter to your attention so that you may take appropriate action now, rather than waiting for the completion of the audit process. Specifically, your agency has been approving payments for housing services for HASA clients after their death.

We matched a list of HASA clients for Fiscal Year 2003 with death records provided by the Social Security Administration (SSA). This match disclosed 168 HASA clients who, according to SSA, were dead as of June 30, 2003. According to HASA records, there were no payments after the dates of death for 140 of the 168 clients. However, HRA approved payments totaling \$239,751 for housing services purportedly provided after the dates of death for the remaining 28 clients. Twelve emergency housing vendors submitted invoices and were paid for services allegedly provided two days to more than two years after the dates of death. According to the latest invoices reviewed for September 2004, one vendor [REDACTED] continued to bill for three of the deceased clients for a year and a half and two years after their deaths. In fact, [REDACTED] submitted invoices for and received \$181,840 (76 percent) of the \$239,751 in improper billings. Since our review covered only HASA clients who died in Fiscal Year 2003, the strong possibility exists that emergency housing vendors are continuing to bill HRA for individuals who died in subsequent years.

In light of our findings, we recommend that your office:

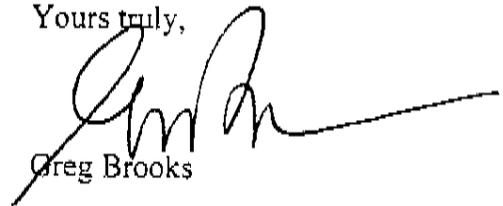
- Immediately investigate the \$239,751 in improper payments and commence prompt recoupment action against the emergency housing vendors. To facilitate this review, I have attached a list of the: deceased clients; dates of death; number of days billed after death; names of vendors; and improper amounts billed and paid.

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- Forward to the Department of Investigation, if the circumstance warrants such action, the names of those vendors associated with improper billings;
- Obtain SSA death records for Fiscal Years 2004 and 2005 and match them to the list of HASA clients to determine whether improper payments were made in those years and commence appropriate recoupment action.

Please advise me of the actions you plan to take with regard to this matter. Should additional matters arise during the course of this audit that I think warrant your attention, I will advise you accordingly.

Yours truly,

A handwritten signature in black ink, appearing to read 'Greg Brooks', with a long horizontal flourish extending to the right.

Greg Brooks

cc: Susan Kupferman, Director Mayor's Office of Operations

Audit on the Human Resources  
Administration Payment Procedures to  
Vendors who Provide Shelter to HIV/AIDS  
Services Administration (HASA) Clients  
Audit # FL04-108A  
Schedule of Overpayments Made to Vendors  
for Dead Clients

	Client Name	SS Number	Date of Death	Hotel Paid	Voucher Number	Dates Paid per Voucher	Number of Days Overstated	Daily Rate	Overstated Payment
1			11/1/2002		3T000000853	11/1/02-11/8/02	7	\$ 70.00	\$ 490.00
2			2/17/2003		3T000001622	2/1/03-2/28/03	11	\$ 80.00	\$ 880.00
3			10/11/2002		3T000000615	9/20/02-10/18/02	7	\$ 50.00	\$ 350.00
4			9/30/2002		3T000000442	10/1/02-10/17/02	16	\$ 50.00	\$ 800.00
5			10/20/2002		3T000000438	10/1/02-10/28/02	8	\$ 70.00	\$ 560.00
6			2/19/2003		3T000001623	2/1/03-2/28/03	9	\$ 70.00	\$ 630.00
					3T000001938	3/1/03-3/2/03	2	\$ 70.00	\$ 140.00
7			8/3/2002		3T000000154	8/1/02-8/8/02	3	\$ 70.00	\$ 210.00
8			8/25/2002		3T000000071	7/1/02-7/5/02	5	\$ 70.00	\$ 350.00
9			9/14/2002		3T000000373	8/13/02-9/30/02	16	\$ 80.00	\$ 1,280.00
10			2/1/2003			2/1/03-2/12/03	11		\$ 564.00
11			10/31/2002			11/1/02-11/12/02	12		\$ 490.96
12			6/25/2002			7/1/02-7/10/02	10	\$ 47.00	\$ 333.90
13			8/11/2002			8/1/02-8/31/02	20	\$ 47.00	\$ 940.00
						9/01/02-9/03/02	3	\$ 47.00	\$ 141.00
14			5/19/2003		3T000002747	5/1/03-5/20/03	20	\$ 70.00	\$ 1,400.00
					3T000002593	5/12/03-5/31/03	12	\$ 70.00	\$ 840.00
15			4/2/2003		3T000002250	4/1/03-4/30/03	28	\$ 70.00	\$ 1,960.00
					3T000002593	5/1/03-5/8/03	8	\$ 70.00	\$ 560.00
16			1/21/2003		3T000001406	1/1/03-1/31/03	10	\$ 80.00	\$ 800.00
					3T000001622	2/1/03-2/28/03	26	\$ 80.00	\$ 2,240.00
					3T000001942	3/1/03-3/7/03	7	\$ 80.00	\$ 560.00
17			10/3/2002		3T000000400	10/1/02-10/31/02	28	\$ 55.00	\$ 1,540.00
					3T000000666	11/1/02-11/5/02	5	\$ 55.00	\$ 275.00
18			1/1/2003			1/1/03 - 1/31/03	30		\$ 1,004.10
						2/1/03-2/25/03	25		\$ 836.75
19			1/17/2003		3T000001531	1/1/03-1/31/03	13	\$ 60.00	\$ 780.00
					3T000001756	2/1/03-2/28/03	28	\$ 80.00	\$ 1,880.00
20			4/7/2003		3T000002250	4/1/03-4/30/03	23	\$ 70.00	\$ 1,610.00
					3T000002593	5/1/03-5/31/03	31	\$ 70.00	\$ 2,170.00
					3T000002747	6/1/03-6/11/03	11	\$ 70.00	\$ 770.00
21			11/7/2002			11/1/02-11/30/02	23	\$ 35.00	\$ 805.00
						12/1/02-12/31/02	31	\$ 35.00	\$ 1,085.00
						1/1/03-1/31/03	31	\$ 35.00	\$ 1,085.00
22			10/1/2002		3T000000664	10/1/02-10/31/02	30	\$ 80.00	\$ 2,400.00
					3T000000848	11/1/02-11/30/02	30	\$ 80.00	\$ 2,400.00
					3T000001270	12/1/02-12/31/02	31	\$ 80.00	\$ 2,480.00
					Jan missing			\$ 80.00	\$ -
					3T000001596	2/1/03-2/28/03	28	\$ 80.00	\$ 2,240.00
					mar missing			\$ 80.00	\$ -
					3T000002337	4/1/03-4/30/03	30	\$ 80.00	\$ 2,400.00
					3T000002794	5/1/03-5/31/03	31	\$ 80.00	\$ 2,480.00
					3T000002805	6/1/03-6/30/03	30	\$ 80.00	\$ 2,400.00
					4T000000116	07/01/03-07/31/03	31	\$ 80.00	\$ 2,480.00
					4T000000278	08/01/03-08/31/03	31	\$ 80.00	\$ 2,480.00
					4T000000435	09/01/03-09/30/03	30	\$ 80.00	\$ 2,400.00
					4T000000673	10/01/03-10/31/03	31	\$ 80.00	\$ 2,480.00
					4T000000846	11/01/03-11/30/03	30	\$ 80.00	\$ 2,400.00
					4T000000933	12/01/03-12/15/03	15	\$ 80.00	\$ 1,200.00
23			12/1/2002		3T000001023	12/1/02-12/31/02	30	\$ 70.00	\$ 2,100.00
					3T000001415	1/1/03-1/31/03	31	\$ 70.00	\$ 2,170.00
					3T000001623	2/1/03-2/28/03	28	\$ 70.00	\$ 1,960.00
					3T000001938	3/1/03-3/31/03	31	\$ 70.00	\$ 2,170.00
					3T000002250	4/1/03-4/30/03	30	\$ 70.00	\$ 2,100.00
					3T000002593	5/1/03-5/31/03	31	\$ 70.00	\$ 2,170.00
					3T000002747	6/1/03-6/11/03	11	\$ 70.00	\$ 770.00

24	[REDACTED]	[REDACTED]	4/26/2001	[REDACTED]	3T00000070	7/8/02-3/5/02	28	\$ 70.00	\$ 1,960.00				
				[REDACTED]	3T00000053	10/15/02-11/12/02	28	\$ 70.00	\$ 1,960.00				
				[REDACTED]	3T00000093	11/13/02-12/11/02	28	\$ 50.00	\$ 1,400.00				
				[REDACTED]	3T00000234	4/2/03-4/30/03	28	\$ 50.00	\$ 1,400.00				
25	[REDACTED]	[REDACTED]	11/6/2002	[REDACTED]	3T000001270	12/1/02-12/31/02	31	\$ 80.00	\$ 2,480.00				
				[REDACTED]	3T000000848	11/1/02-11/30/02	24	\$ 80.00	\$ 1,920.00				
				[REDACTED]	Jan missing				\$				
				[REDACTED]	3T000001596	2/1/03-2/28/03	28	\$ 80.00	\$ 2,240.00				
				[REDACTED]	mar missing				\$				
				[REDACTED]	3T000002337	4/1/03-4/30/03	30	\$ 80.00	\$ 2,400.00				
				[REDACTED]	3T000002764	5/1/03-5/31/03	31	\$ 80.00	\$ 2,480.00				
				[REDACTED]	3T000002805	6/1/03-6/30/03	30	\$ 80.00	\$ 2,400.00				
				[REDACTED]	4T000000116	07/01/03-07/31/03	31	\$ 80.00	\$ 2,480.00				
				[REDACTED]	4T000000278	08/01/03-08/31/03	31	\$ 80.00	\$ 2,480.00				
				[REDACTED]	4T000000435	09/01/03-09/30/03	30	\$ 80.00	\$ 2,400.00				
				[REDACTED]	4T000000673	10/01/03-10/31/03	31	\$ 80.00	\$ 2,480.00				
				[REDACTED]	4T000000846	11/01/03-11/30/03	30	\$ 80.00	\$ 2,400.00				
				[REDACTED]	4T000000933	12/01/03-12/31/03	31	\$ 90.00	\$ 2,480.00				
				[REDACTED]	4T000001184	01/01/04-01/31/04	31	\$ 80.00	\$ 2,480.00				
				[REDACTED]	4T000001358	02/01/04-02/29/04	29	\$ 80.00	\$ 2,320.00				
				[REDACTED]	4T000001510	03/01/04-03/31/04	31	\$ 80.00	\$ 2,480.00				
				[REDACTED]	4T000001676	04/01/04-04/30/04	30	\$ 80.00	\$ 2,400.00				
				26	[REDACTED]	[REDACTED]	11/25/2002	[REDACTED]	4T000001823	05/01/04-05/31/04	31	\$ 80.00	\$ 2,480.00
								[REDACTED]	4T000002116	06/01/04-06/30/04	30	\$ 80.00	\$ 2,400.00
[REDACTED]	5T000000127	07/01/04-07/31/04	31					\$ 80.00	\$ 2,480.00				
[REDACTED]	5T000000257	08/01/04-08/31/04	31					\$ 80.00	\$ 2,480.00				
[REDACTED]	5T000000420	09/01/04-09/30/04	30					\$ 80.00	\$ 2,400.00				
[REDACTED]	3T000000847	11/01/02-11/30/02	5					\$ 80.00	\$ 400.00				
[REDACTED]	3T000001028	12/01/02-12/31/02	31					\$ 80.00	\$ 2,480.00				
[REDACTED]	3T000001406	1/1/03-1/31/03	31					\$ 80.00	\$ 2,480.00				
[REDACTED]	3T000001622	2/1/03-2/28/03	28					\$ 80.00	\$ 2,240.00				
[REDACTED]	3T000001595	2/1/03-2/28/03	17					\$ 80.00	\$ 1,360.00				
27	[REDACTED]	[REDACTED]	2/11/2003	[REDACTED]	mar missing				\$				
				[REDACTED]	3T000002337	4/1/03-4/30/03	30	\$ 80.00	\$ 2,400.00				
				[REDACTED]	3T000002764	5/1/03-5/31/03	31	\$ 80.00	\$ 2,480.00				
				[REDACTED]	3T000002805	6/1/03-6/30/03	30	\$ 80.00	\$ 2,400.00				
				[REDACTED]	4T000000116	07/01/03-07/31/03	31	\$ 80.00	\$ 2,480.00				
				[REDACTED]	4T000000278	08/01/03-08/31/03	31	\$ 80.00	\$ 2,480.00				
				[REDACTED]	4T000000435	09/01/03-09/30/03	30	\$ 80.00	\$ 2,400.00				
				[REDACTED]	4T000000673	10/01/03-10/31/03	31	\$ 80.00	\$ 2,480.00				
				[REDACTED]	4T000000846	11/01/03-11/30/03	30	\$ 80.00	\$ 2,400.00				
				[REDACTED]	4T000000933	12/01/03-12/31/03	31	\$ 80.00	\$ 2,480.00				
				[REDACTED]	4T000001184	01/01/04-01/31/04	31	\$ 80.00	\$ 2,480.00				
				[REDACTED]	4T000001358	02/01/04-02/29/04	29	\$ 80.00	\$ 2,320.00				
				[REDACTED]	4T000001510	03/01/04-03/31/04	31	\$ 80.00	\$ 2,480.00				
				[REDACTED]	4T000001676	04/01/04-04/30/04	30	\$ 80.00	\$ 2,400.00				
				[REDACTED]	4T000001823	05/01/04-05/31/04	31	\$ 80.00	\$ 2,480.00				
				[REDACTED]	4T000002116	06/01/04-06/30/04	30	\$ 80.00	\$ 2,400.00				
				[REDACTED]	5T000000127	07/01/04-07/31/04	31	\$ 80.00	\$ 2,480.00				
				[REDACTED]	5T000000257	08/01/04-08/31/04	31	\$ 80.00	\$ 2,480.00				
				[REDACTED]	5T000000420	09/01/04-09/30/04	13	\$ 80.00	\$ 1,040.00				
				28	[REDACTED]	[REDACTED]	8/16/2002	[REDACTED]	3T000000201	8/01/02-8/31/02	15	\$ 80.00	\$ 1,200.00
[REDACTED]	3T000000280	9/01/02-9/30/02	30					\$ 80.00	\$ 2,400.00				
[REDACTED]	3T000000664	10/1/02-10/31/02	31					\$ 80.00	\$ 2,480.00				
[REDACTED]	3T000000848	11/1/02-11/30/02	30					\$ 80.00	\$ 2,400.00				
[REDACTED]	3T000001270	12/1/02-12/31/02	31					\$ 80.00	\$ 2,480.00				
[REDACTED]	Jan missing								\$ 80.00	\$			
[REDACTED]	3T000001595	2/1/03-2/28/03	28					\$ 80.00	\$ 2,240.00				
[REDACTED]	mar missing								\$ 80.00	\$			
[REDACTED]	3T000002337	4/1/03-4/30/03	30					\$ 80.00	\$ 2,400.00				
[REDACTED]	3T000002764	5/1/03-5/31/03	31					\$ 80.00	\$ 2,480.00				
[REDACTED]	3T000002805	6/1/03-6/30/03	30					\$ 80.00	\$ 2,400.00				
[REDACTED]	4T000000116	07/01/03-07/31/03	31					\$ 80.00	\$ 2,480.00				
[REDACTED]	4T000000278	08/01/03-08/31/03	31					\$ 80.00	\$ 2,480.00				
[REDACTED]	4T000000435	09/01/03-09/30/03	30					\$ 80.00	\$ 2,400.00				
[REDACTED]	4T000000673	10/01/03-10/31/03	31					\$ 80.00	\$ 2,480.00				
[REDACTED]	4T000000846	11/01/03-11/30/03	30					\$ 80.00	\$ 2,400.00				
[REDACTED]	4T000000933	12/01/03-12/31/03	31					\$ 80.00	\$ 2,480.00				
[REDACTED]	4T000001184	01/01/04-01/31/04	31					\$ 80.00	\$ 2,480.00				
[REDACTED]	4T000001358	02/01/04-02/29/04	29					\$ 80.00	\$ 2,320.00				
[REDACTED]	4T000001510	03/01/04-03/31/04	31					\$ 80.00	\$ 2,480.00				
[REDACTED]	4T000001676	04/01/04-04/30/04	30	\$ 80.00	\$ 2,400.00								
[REDACTED]	4T000001823	05/01/04-05/31/04	31	\$ 80.00	\$ 2,480.00								
[REDACTED]	4T000002116	06/01/04-06/30/04	30	\$ 80.00	\$ 2,400.00								
[REDACTED]	5T000000127	07/01/04-07/31/04	31	\$ 80.00	\$ 2,480.00								
[REDACTED]	5T000000257	08/01/04-08/31/04	31	\$ 80.00	\$ 2,480.00								
[REDACTED]	5T000000420	09/01/04-09/30/04	30	\$ 80.00	\$ 2,400.00								

Total Overpayments For Dead Clients: \$ 219,750.71



HUMAN RESOURCES ADMINISTRATION  
180 WATER STREET  
NEW YORK, NEW YORK 10038  
TELEPHONE: (212) 331-6000 FAX: (212) 331-6214

VERNA EGGLESTON  
*Administrator/Commissioner*

January 14, 2005

Greg Brooks, Deputy Comptroller  
The City of New York Office of the Comptroller  
Policy, Audits, Accountancy & Contracts  
1 Centre Street  
New York, NY 10007-2341

Re: Audit of Payments to Vendors who  
Provide Shelter to HIV/AIDS Services  
Administration (HASA) Clients  
Audit # FM04-108A

Dear Mr. Brooks:

I am in receipt of your letter dated December 16, 2004 in which you reported that, during your audit, you matched a listing of active HIV/AIDS Services Administration (HASA) clients to death records reported by the Social Security Administration (SSA). Your match and subsequent investigation disclosed that the Human Resources Administration (HRA) has made payments on behalf of 28 clients whom the SSA had reported as being dead as of June 30, 2003. You provided HRA with a listing of the 28 clients.

The staff of HASA has reviewed the listing of clients and has discovered that three are in fact alive. They are currently investigating the remaining cases, and indeed, as you have recommended, where it is determined that the vendors did in fact deliberately bill HRA fraudulently, a referral will be made to the New York City Department of Investigation (DOI) for appropriate action.

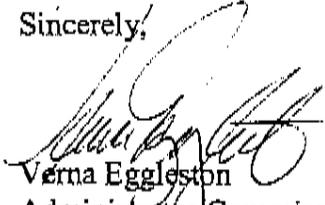
I agree with the recommendations you have made and I have attached a detailed Corrective Action Plan, which identifies the steps HRA has taken and propose to take to address the conditions that allowed the deficiencies noted in your letter to exist.

Thank you for bringing this information to my attention at this early stage in your audit. By not waiting until the end of your review to advise me of these circumstances, the Human Resources Administration is able to immediately implement corrective action thereby aborting the negative effects of the deficiencies. Consequently, should you come

across any other condition of this magnitude, please do not hesitate to contact me as soon as possible.

Should you have any questions concerning this matter, please contact Holly E. Brown, Executive Deputy Commissioner of the Office of Audit Services and Organization Analysis at (212) 331-6160.

Sincerely,



Verna Eggleston  
Administrator/Commissioner

Attachment

Corrective Action Plan in Response to the  
Office of Comptroller's December 16, 2004 Preliminary Finding

In response to the Office of the Comptroller's preliminary finding that states that the HIV/AIDS Services Administration (HASA) authorized payments on behalf of 28 deceased clients in Fiscal Year 2003 to some of the vendors that provide housing to HASA clients in their commercial single room occupancy facilities (SRO), HASA offers the following corrective action plan (CAP) with respect to these 28 individuals and for on-going quality improvement:

1. Since some of these clients have been erroneously identified by the Social Security Administration (SSA) as deceased (e.g., identifier #s 23, 24, 27), HASA will affirm that these individuals are alive and are the HASA clients that they purport to be by January 7, 2005. If appropriate, HASA will also contact SSA to notify them of these erroneously coded clients. With regard to those instances where vendors billed for clients after their date of death and there is an appearance of fraud, a referral will be made to NYC Department of Investigation (DOI) for those facilities.
2. In January 2003 HASA migrated data from the AIDS Information Resources System (AIRS) to the improved FACTORS system. The clients on the Comptroller's list that are noted as deceased prior to 2003 did not have their placements closed in the former system. This open placement status was carried forward when the information was imported into FACTORS. These open placements will be closed by January 7, 2005.
3. HASA authorized payments for several days or weeks for a dozen clients after SSA assigned dates of death to them. Because some of our clients move frequently while in the SRO system, they are difficult to contact. The facility-based Automated Attendance System Initiative is currently being piloted and, if successful, will significantly improve the process.

To prevent future inappropriate authorization of payments by HASA for clients in emergency placement units, we propose the following CAP:

1. HASA will adopt the Comptroller's recommendation that it match for fiscal years 2004 and 2005 SSA data against vendor billings to determine whether any payments might have been issued after the date of death reported by SSA for a client. If such payments are detected, HASA will clarify the information and, if appropriate, recoup these payments or, if necessary, make referrals to DOI.
2. With the establishment of new Memoranda of Understanding (MOUs), all SRO vendors are required to furnish to HASA an incident report within 24 hours of a client's injury, hospitalization, or death. HASA believes that this formal procedure will result in more timely notifications by the SRO vendors to the

centers and ensure only accurate payments. Failure to adhere to the provisions of the MOUs may negatively affect ratings and future referrals.

3. By the end of calendar year 2004, HASA converted all of its vendors from the voucher system, in which the agency essentially paid for blocks of rooms regardless of occupancy, to the system in which HASA pays only for utilized rooms as verified by individual client data in FACTORS. Unlike FACTORS, the prior system did not have the internal control mechanism to track clients on a room by room basis.
4. In 2002, HASA had uncovered cases in which clients did not have a regularly assigned caseworker. In such an instance, a client's death might not be detected immediately. In 2004, HASA significantly improved its staffing levels. HASA is committed to maintaining these staffing levels.
5. HASA is currently piloting a facility-based Automated Attendance System Initiative at several SROs in place of having clients sign rosters to indicate their on-going presence at the facility. A device similar to credit card readers, the swipe machine obligates the client to note his/her presence at the facility on a daily basis by running his/her card through the machine. Once tied into the billing system, (expected to be completed by the end of fiscal year 2006) swiping will have the effect of ensuring that vendors are only being paid for the dates on which documentary evidence exists of the client's presence. This system is planned to eliminate instances in which an SRO might be authorized for payment several days or weeks after the date of death reported by SSA.

Hotel Observations

<u>Address</u>	<u>Apt #</u>	<u>Observations</u>	<u>Tenant Complaints</u>
[REDACTED]	71-6	Bubbling paint on the ceiling. ( <b>Appendix IV, Picture #1</b> ) Leaking faucet.	
[REDACTED]	85-6	Broken mattress ( <b>Appendix IV, Picture #2</b> )	Broken toilet Window falls when opened
[REDACTED]	67	Torn carpet	No gate on window
[REDACTED]	56-6	Mold on ceiling ( <b>Appendix VI, Picture #3</b> )	
[REDACTED]	511	Smoke detector disabled	
[REDACTED]	211, 21-6, 24-6	Rooms were cold	Rooms are lacking heat
[REDACTED]	211	No conditions found	Roaches, Lack of heat
[REDACTED]	241	<i>Cimex lectularius</i> (Bed Bugs) ( <b>Appendix VI, Picture #4</b> )	
[REDACTED]	725	No conditions found	Mice
[REDACTED]	734	No smoke detector	
[REDACTED]	322	No conditions found	Lack of heat
[REDACTED]	6C3	No conditions found	Lack of heat, Roaches
[REDACTED]	5B3	No conditions found	Roaches
[REDACTED]	4A6	No conditions found	Roaches
[REDACTED]	3A4	No conditions found	Sagging Mattress
[REDACTED]	3D4	Broken door lock	
[REDACTED]	319	Window draft	

Hotel Observations

<u>Address</u>	<u>Apt #</u>	<u>Observations</u>	<u>Tenant Complaints</u>
[REDACTED]	304	Leaking window frame (Appendix VI, Picture #5)	
[REDACTED]	314	No conditions found	Mice, Roaches, Draft
[REDACTED]	324	No conditions found	Contaminated drinking water Roaches Mice
[REDACTED]	345	No conditions found	Broken lock
[REDACTED]	246	Broken floor tile (Appendix VI, Picture #6)	

**Photographs of Facilities with Unsafe and Unsanitary Conditions**

**Apt 71-6 - Bubbling paint (Picture #1)**



**Photographs of Facilities with Unsafe and Unsanitary Conditions**

**Apt 85-6 – Broken Mattress (Picture #2)**



**Photographs of Facilities with Unsafe and Unsanitary Conditions**

**Apt 56-6 – Mold (Picture #3)**



**Photographs of Facilities with Unsafe and Unsanitary Conditions**

**Apt 241 – *Cimex lectularius* (Bed Bugs) (Picture #4)**



**Photographs of Facilities with Unsafe and Unsanitary Conditions**

**Apt 304 – Window Frame Leak (Picture #5)**



**Photographs of Facilities with Unsafe and Unsanitary Conditions**

**Apt 246 – Broken Floor Tile (Picture #6)**





HUMAN RESOURCES ADMINISTRATION  
OFFICE OF AUDIT SERVICES AND  
ORGANIZATIONAL ANALYSIS  
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VERNA EGGLESTON  
*Administrator/Commissioner*

HOLLY E. BROWN  
*Executive Deputy Commissioner*

June 15, 2005

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

Re: Audit Report on the Human  
Resources Administration Controls  
Over Payments to Vendors Who  
Provide Emergency Housing to  
Clients of the HIV/AIDS Services  
Administration July 1, 2002 – June  
30, 2004  
FL04-108A

Dear Mr. Brooks:

We are in receipt of the referenced draft report and generally agree with the recommendations made; however we were disappointed to see that, although you indicated that the ninety-one units you visited were generally in satisfactory condition, you saw fit to only include pictures of the few adverse situations you encountered, and none of the positive ones that exist. By including these pictures, your report is unbalanced and doesn't support the confirmation in the auditor's report that the housing units inspected were in good condition. Of the thirteen client complaints, your auditors allege there is only one condition that is corroborated by the allegations. Consequently, at the time of the visit, the problems had either already been corrected, or they had not existed in the first place. Further the auditors could not confirm whether the complaints that they received were ever reported to the landlord or the Human Resources Administration (HRA).

In the maintenance and management of real property, inspections, repairs and pest exterminations are ongoing activities. The report shows that these facilities are not immune to the struggle cities have with pest control and we believe that the few adverse conditions that the

auditors photographed were due to the timing of their visit with the end of the extermination cycle. You should further be aware that HRA has recently taken several steps in our continuous effort to ensure that our facilities are medically appropriate and maintained properly, including the following:

- All emergency housing is inspected quarterly by the HASA housing inspection unit.
- HASA now has a protocol for placing facilities with which it has MOUs on non-referral status or discontinuance of use status.
- Corrective action plan follow-ups take place within a 90-day period post submission.
- Inspectors have been provided with digital cameras to record visible violations to minimize disputes/appeals by landlords arguing that conditions are not as serious as depicted in the written reports.
- The inspection tool has been expanded to include monitoring of CBOs' presence in the facilities.
- Information on how to report conditions is included in the materials given to clients when they are placed in a SRO. Clients have the opportunity to report on the conditions in their emergency housing placement via the client satisfaction questionnaire, (see Appendix I), and by contacting the housing unit by telephone or mail.
- The results of all inspections performed by the New York City Department of Housing Preservation (HPD) are provided to HASA. Type C violations, the most serious violations, are followed up on immediately by HASA inspectors.

As for our use of the miscellaneous voucher, it was in fact used in accordance with the section of the Comptroller's Directive # 25 that was quoted in your finding. Lastly, the City of New York Law Department has opined that 'HRA may continue to pay the cost of housing HASA emergency shelter placements at hotels and SROs (collectively "hotels") without HRA entering into contracts with the hotels and without triggering City procurement rules' and therefore our process is appropriate.

Following is our detailed response to the audit's findings and recommendations:

**Auditor's Finding: Noncompliance with the City Charter and PPB Rules**

**HRA violated City Charter requirements and PPB rules by using 36 vendors to provide housing to HASA clients at 68 facilities without first entering into formal contracts. In general, the City Charter and the PPB rules require that contracts be awarded through competition. Instead, HRA either entered into a Memorandum of Understanding (MOU) or it had an informal arrangement with the vendor providing the service.**

In addition, the Charter requires that all contracts and agreements be registered with the Comptroller's Office since the Comptroller is responsible for tracking City expenditures and maintaining a registry of City contracts. Obviously, HRA has not complied with this provision.

**Auditor's Recommendation:**

1. HRA should procure emergency housing services in accordance with the provisions of the City Charter and PPB rules by:
  - entering into formal contracts with the operators,
  - ensuring that contracts contain measurable performance standards and penalties for poor performance, and
  - registering the contracts with the Comptroller's Office.

**Agency's Response:**

HRA disagrees with this finding and recommendation. Prior to entering into MOUs with emergency housing vendors, HRA consulted with Corporation Counsel. It was Corporation Counsel's position that entering into MOUs did not violate City Charter requirements or PPB rules. Because HRA was paying rents on behalf of public assistance recipients, there was no need to develop a contractual relationship between HRA and the housing provider.

**Auditor's Finding: Questionable and Improper Payments**

We found that HRA is not reviewing the client registration logs and information on FACTORS before paying vendor invoices. As a result, HRA paid for: clients who did not sign the registration logs (\$1,000,266); clients after their date of death (\$182,391); services or individuals not recorded on FACTORS (\$417,463); housing services after clients left the facilities (\$456,292); and duplicate billings (\$118,185). In total, HRA made questionable and improper payments totaling \$2,192,597 to vendors providing emergency housing to HASA clients during our audit period.

**Auditor's Recommendations:**

HRA should:

2. Review and reconcile invoices, registration logs, and FACTORS data before paying vendors. The registration logs should be maintained in the payment files to substantiate amounts paid to vendors.
3. Periodically obtain SSA death records and match them with the list of HASA clients to determine whether improper payments are being made.
4. Recoup the \$2,192,597 in improper payments from emergency housing vendors.
5. Ensure that payments made to emergency housing vendors are for only eligible clients who have been assigned to the billing facility and who are actually occupying their units.

**Agency's Response:**

HRA disagrees with the finding that we erroneously paid \$1,000,266 to providers whose clients did not sign registration logs. To begin with, the document that was not signed was the hotels' signature roster, and not the registration log, as stated in the finding. Due to the instability of the health of HASA's clients and other social issues, failure on their part to sign the hotel's signature roster is not sufficient cause to initiate an automatic room closure, or the cessation of payment to the provider for that room. Clients might not sign signature rosters for many reasons not least of which may have been that they had fallen ill and been hospitalized. None of the possible legitimate reasons would trigger the closing of the client's room. Since HASA cannot verify that clients were *not* at the hotel, we are unable to request recoupment for the payments identified in the report. To address the broader issue of ensuring that our clients are provided with the housing that they need, we have initiated a process that will automatically and electronically provide nightly occupancy statistics and details on every HASA client in emergency housing. This system will automatically track clients residing at an SRO.

As indicated in our corrective action response letter of January 14, 2005, regarding the \$182,391 payment to providers for clients after their death, HRA agrees and where appropriate, we have referred those cases to the IG.

HRA disagrees with the finding that \$456,292 was paid erroneously for 196 clients on or after their last date of occupancy at a facility. Upon reviewing the detail of these payments we found that \$13,109 of the \$456,292 was appropriately paid and that the discrepancy was with the exit or last day of the clients stay. HRA agreed to pay for this day; consequently, these payments were proper, thus no recoupment action is required. As for the remaining \$443,183, we are awaiting additional detailed information from the Comptroller's Office regarding the clients involved so that we may determine the appropriate action to take.

HRA is in disagreement with how the auditors concluded that \$417,463 in payments were made for individuals not recorded on FACTORS as well as the \$118,185 in duplicate billings and are awaiting detailed information from the Comptroller's Office to determine the appropriate action to take.

HRA agrees with the finding that one provider who billed HRA for \$2,030 was paid \$20,030. We have informed the provider of the overpayment and have initiated a recoupment process.

**Auditor's Finding: Improper Use of Miscellaneous Vouchers**

**As mentioned earlier, HRA did not have contracts with the 36 vendors. During Fiscal Year 2003, HRA paid vendors \$22.8 million using miscellaneous vouchers and \$11.8 million using purchase orders. Using miscellaneous vouchers violated Comptroller's Directive 25...**

**Obviously, HRA did not have to violate the provisions of the directive since it used purchase orders to make \$11.8 million in payments to vendors.**

**Auditor's Recommendation:**

**6. HRA should discontinue its use of miscellaneous vouchers to pay vendors for emergency housing.**

**Agency's Response:**

HRA disagrees with this finding. HRA began to acquire hotels, on an emergency basis, as a means of temporarily housing medically eligible homeless individuals living with HIV/AIDS. With the need for suitable housing steadily increasing at that time, the City's stock of available apartments was nearly exhausted. Further, as we were mandated by law to provide medically appropriate housing for clients on the day of their application, we used several hotels throughout the City. In addition, because of the constraints under which we operated, and the crisis that was developing, we were unable to determine the frequency with which each facility would be used, thus were unable to pre-determine payment amounts. This emergency situation dictated that we used miscellaneous vouchers as the method of payment. Consequently the \$22.8 million in miscellaneous vouchers cited in the audit were paid under these circumstances. The Comptroller's Directive #25 permits the use of miscellaneous payment vouchers in these situations. You should note that towards the end of FY 2004, the group of hotels from which HRA obtains emergency housing services, became more stable. Accordingly, we discontinued the use of miscellaneous vouchers to pay for these services in FY 2005.

As noted in the report \$11.8 million was properly paid using purchase orders and via the FACTORS Automated Billing System to providers with whom we had Memoranda of Understanding. These providers differ from those initially established, in that they were a core group with whom we had a stable relationship. We knew we would use their facilities multiple times and were thus able to pre-determine payment amounts.

**Auditor's Finding: Poor Conditions at Certain Facilities**

**We inspected 91 units in five facilities. We found that the 91 units were generally in satisfactory condition. However, 25 units had unsafe and unsanitary conditions that required correction. These conditions included the presence of roaches, peeling paint, leaking faucets, water damage and mold on ceilings and walls, and broken tiles. Moreover, some residents reported that their apartments were infested by mice and/or roaches. (Appendix III contains a list of problem conditions by address and apartment number. Appendix IV contains photographs of conditions we noted in certain apartments.) After discussing these issues with building representatives, they indicated to us that the poor conditions we observed would be addressed.**

**Auditor's Recommendation:**

- 7. HRA should ensure that vendors are providing clean and safe emergency housing for its HASA clients.**

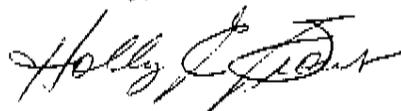
**Agency's Response:**

HRA agrees that providers should provide clean and safe emergency housing for HASA clients. As stated earlier, we are disappointed in the way this finding was reported. Our efforts to ensure safe and appropriate housing for our clients is reflected in the generally satisfactory condition that the auditors observed during their visits to the facilities.

The standards established for HASA's emergency facilities require that the facilities be safe, medically appropriate, and suitable for the living needs of our clients. To ascertain if the emergency facilities adhere to these requirements, the Inspection Unit staff conducts regularly scheduled physical inspections during which the entire facility is reviewed in detail and all observed deficiencies are recorded on an inspection checklist. Those facilities that do not receive satisfactory reviews are placed on non-referral status. Facilities in this status do not receive any new clients. Facilities that are placed in non-referral status twice during the term of the MOU are considered for discontinuance of use. See Appendix 2 for the entire procedure for inspecting these facilities.

HRA is committed to providing our clients with the care and services they need. It is our goal to accomplish this in the most effective manner including the provision of safe and appropriate housing. As this is a constant consideration in this and all of our efforts your report confirms our achievements and we will continue to work diligently to maintain these positive outcomes. Should you have any questions concerning this matter, please contact Hope Henderson, Director of the Bureau of Audit Coordination at (212) 331-3522.

Sincerely,



Holly E. Brown

Appendices

Cc: Commissioner Eggleston  
Richard O'Halloran

## Appendix 1

### – Client Satisfaction Questionnaire

NEW YORK CITY HUMAN RESOURCES ADMINISTRATION  
EMERGENCY PLACEMENT UNIT

12 WEST 14TH STREET, 6TH FLOOR  
NEW YORK, NEW YORK 10011  
Phone: 212.620.9764/9830 Fax: 212.620.9280/337.1600

#### CLIENT SATISFACTION QUESTIONNAIRE

You informed this agency that you are homeless, and have been referred to an emergency housing facility. Please inspect the housing you have been given, and check if any of the items below that are true about your housing placement. You may then call in the results of your inspection to the Emergency Placement Unit (EPU) telephone number above, or fax or mail this form to EPU at the fax/address above.

PLEASE CHECK ONLY THE ITEMS THAT ARE TRUE ABOUT YOUR EMERGENCY HOUSING:

- There are roaches and/or mice in my room.
- There is no individual refrigerator available for me to store my food and medicine.
- There are roaches and/or mice in my room.
- The mattress in my room is torn or filthy.
- There are no clean towels and/or bed linen provided in my room.
- The bathroom that I use is not clean.
- There is no toilet paper and/or soap provided for the bathroom that I use.
- There is no elevator, and I am medically unable to climb the stairs to my room. I can provide a doctor's note stating that I must not climb stairs.
- There are other conditions at my emergency housing which are dangerous to my health which is explained below:



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AFTER RECEIVING YOUR COMPLAINT, EPU MAY SEND AN INSPECTOR TO THE FACILITY TO INVESTIGATE THE CONDITIONS YOU HAVE REPORTED, AND TO SEEK CORRECTIVE ACTION FROM THE FACILITY.

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Date:

Client Name (printed):

Social Security Number:

Name and Address of Facility:

Your Room Number: \_\_\_\_\_ Your Phone Number: \_\_\_\_\_

## **APPENDIX 2**

### **HASA'S PROCEDURE FOR INSPECTING SROS**

The standards established for HASA's emergency facilities require that the conditions of the facilities be safe, medically appropriate, and suitable for the living needs of clients. To ascertain if the emergency facilities adhere to these established standards, the Inspection Unit staff conducts regularly scheduled physical inspections. The standards established require a detailed inspection of the entire facility and that all observed deficiencies be recorded on an inspection checklist.

Inspected areas of the facility are categorized as:

- Outer perimeter
- All rooms/sleeping areas
- All common hallways/stairways/elevator interiors
- All bathrooms
- All commonly used kitchens
- Linkage agreements and community-based organization (CBO) visitor log

The HASA emergency facility inspection calendar is divided into four quarters for the fiscal year with each quarterly inspection data being reviewed independently for every facility. All of the emergency facilities in our portfolio are inspected on an average of eight or more times in a fiscal year. This translates into two or more inspections (one Initial and the other a Follow-Up) conducted quarterly for each facility.

During each quarter, an Initial Inspection is conducted. All deficiencies observed are recorded by the Inspector in the database, which subsequently generates an inspection outcome report. The Inspection Unit Coordinator reviews the report, which is then signed by the Inspector, Coordinator, and the Director of Housing Services. The report along with a covering letter requiring a response is mailed out to the facility operator. A corrective action plan (CAP) response is required from the facility operator within 15 calendar days of the inspection outcome notice date. If the CAP is not received by the due date, a Follow-Up inspection is conducted to ascertain which of the deficiencies that were observed during the Initial Inspection have been corrected and which of them still remain. The follow up being conducted on the Initial Inspection carries forward all the deficiencies observed initially in that previous Initial Inspection. New deficiencies observed may also be recorded during a Follow-Up Inspection. The inspector follows the same process as indicated above.

In the event that a facility fails to respond to the inspection report within the stipulated time frame, a non-response letter is faxed to the facility operator requiring compliance and submission of the Cap within 48 hours. Failure to submit a CAP upon

receipt of this notice will result in the facility being placed on client non-referral status.

At the beginning of each quarter, facilities are required to be inspected for “Initial Inspection.” No follow up for any facility is carried forward to the next quarter. In the new quarter all areas of the facilities being used by HASA clients are subject to a new thorough inspection. Deficiencies are recorded along with any outstanding deficiencies from the previous quarter, which may have not been corrected.

The database affords the ability to record and review inspections being conducted by the HASA Inspection Unit for facilities housing HASA clients. The maintenance of the facilities is rated based on the outcome of inspections.

### **Types of Inspections**

Initial Inspection – conducted each fiscal quarter. This is a comprehensive inspection of an entire facility including individual client rooms, common areas, building exterior, and immediate vicinity. Findings are indicated in an Outcome Inspection Report that is sent to the emergency facility provider. Providers are required to submit a Correction Action Plan addressing any deficiencies to the HASA Inspection Unit within 15 calendar days.

Follow-up Inspection – conducted in response to an initial inspection with a finding of deficiencies. Inspection is conducted to ascertain if the provider satisfactorily addressed the deficiencies and to verify items in the provider’s Correction Action Plan. Findings are indicated in an Outcome Inspection Report that is sent to the emergency facility provider. Providers are required to submit a Correction Action Plan addressing any deficiencies to the HASA Inspection Unit within 15 calendar days.

Inspection in Response to Client Complaint – conducted in response to a client complaint received via the Client Satisfaction Questionnaire (see attached) or by mail/phone/fax. An inspection is done within 24 hours of receipt of a complaint. Findings are indicated in an Inspection Outcome Report to the Director of Housing Services by the next workday.

Emergency Response Inspection – conducted in response to an inspection report containing any grievous (Class C) violations as cited by the NYC Housing Preservation & Development (HPD) SRO Citywide Building Inspection Unit or other governmental agency. An inspection is done within 24 hours of receipt of such a report. Findings are indicated in an Inspection Outcome Report to the Director of Housing Services by the next workday.

New Facility Inspection - conducted in response to a new housing prospect questionnaire received from a provider who is offering the use of an emergency

facility to HASA. An initial inspection is done to ascertain if the facility meets HASA's emergency housing standards. A second and final inspection is conducted to ascertain that the facility is ready to accept client referrals. This final inspection is done once the provider has a signed Memorandum of Understanding (MOU). Findings are indicated in an Inspection Outcome Report to the Director of Housing Services by the next workday.

#### **Placing Facilities on Non-Referral**

Facilities that receive two consecutive overall ratings of "unsatisfactory" or "unacceptable" shall be placed on non-referral status. No clients shall be referred to a facility while it is on non-referral status. The Director of Housing Services, in writing the next business day, shall notify facilities placed on non-referral status. The Deputy Commissioner shall be advised when any facility is placed on non-referral.

Only when the facility has corrected the deficiencies as verified by an inspection, resulting in a "good" or "satisfactory" overall inspection rating shall the facility be returned to referral status. A facility restored to referral status shall be notified in writing on the first business day following the favorable re-inspection.

#### **Discontinued Use of a Facility**

Facilities that are placed on non-referral status twice during the term of the MOU or Contract shall be considered for discontinuance of use. The recommendation to discontinue use of a facility shall be made by the Director of Housing Services. The HASA Deputy Commissioner shall review and make the final decision to discontinue use of a facility. The Director of Housing Services shall notify discontinued facilities in writing thirty days in advance of the effective date. Arrangements shall be made by the Emergency Placement Unit to relocate clients to another facility.