

H. CARL McCALL
STATE COMPTROLLER



A.E. SMITH STATE OFFICE BUILDING
ALBANY, NEW YORK 12236

STATE OF NEW YORK
OFFICE OF THE STATE COMPTROLLER

August 30, 2000

Mr. Martin Oesterreich
Commissioner
New York City Department of Homeless Services
33 Beaver Street, 17th Floor
New York, NY 10004

Re: Report 2000-F-18

Dear Mr. Oesterreich:

Pursuant to the State Comptroller's authority as set forth in Article V, Section I of the State Constitution and Article II, Section 8 of the State Finance Law, Article III of the General Municipal Law, we have reviewed the actions taken by officials of the New York City Department of Homeless Services as of July 28, 2000, to implement the recommendations contained in our audit report, *New York City Department of Homeless Services Accuracy of State Aid Claims* (Report 97-N-8). Our report, which was issued on November 20, 1998, reviewed the accuracy of the Department's State aid claims for reimbursement of expenses incurred for homeless shelters.

Background

The Department of Homeless Services (DHS) provides emergency shelter and related services to homeless families and individuals. There are two divisions which are responsible for coordinating programs for the homeless: Adult Services, and Family Services. The Adult Services Division manages 43 adult shelters with a capacity for more than 7,000 homeless adults. Nonprofit organizations, overseen by the Adult Services Division, operate 36 of these facilities and DHS directly operates 7 facilities. The Family Services Division manages programs for families in need of emergency housing. More than 5,000 families are accommodated each night, and more than 10,000 families are sheltered each year. As of June 30, 2000, the Family Services Division oversaw or operated 95 family service facilities which include 68 family shelters, 22 hotels, 3 overnight facilities and 2 reception centers. Three of the family shelters are operated by DHS and 65 are contracted out to nonprofit organizations. The 22 hotels are operated by private companies under referral arrangement with DHS.

Many of the costs incurred by DHS in providing homeless services are reimbursed by New York State and the Federal government. Costs incurred for homeless families with children who qualify for assistance under the Temporary Assistance to Needy Families program (TANF, formerly the Aid to Families with Dependent Children program) and the Emergency Assistance to Needy Families with Children program (EAF) are eligible for both Federal and State reimbursement. The Federal government pays up to 50 percent of the costs of the programs with the State and City governments sharing the remaining 50 percent. Costs incurred for single adults and couples without children who qualify for assistance under the Safety Net Program (formerly called Home Relief) are not federally reimbursable. In these cases, the State will reimburse the City for 50 percent of the costs. The State disburses reimbursement funds for the Federal government so the claims for Federal and State reimbursements are made on the same claim. Reimbursement claims are prepared monthly by DHS and are submitted to the New York State Office of Temporary and Disability Assistance (OTDA) for payment.

Summary Conclusions

In our prior audit, we had identified several internal controls weaknesses in DHS' State aid reimbursement process. Because of these weaknesses, the claims submitted by DHS were less likely to be accurate. Our review of selected claims identified inaccuracies that resulted in a net overpayment to DHS of about \$1.1 million. (The State's share of this amount was \$535,462.) We recommended that this overpayment be refunded to New York State and certain improvements be made in the procedures used by DHS to claim State reimbursements. The audit identified a number of areas where DHS could improve its control and oversight of claim reimbursement process.

In our follow-up review, we found that DHS officials have developed a formalized process for ensuring that State aid claims are properly reviewed by its State Claims and Revenue Unit. In addition, DHS reimbursed OTDA for the over payments identified in our prior report.

Summary of Status of Prior Audit Recommendations

DHS officials have implemented all eight of our recommendations.

Follow-up Observations

Recommendation 1

Develop a formal process as to how State aid claims should be reviewed by the State Claims and Revenue Unit to ensure that the claims are accurate.

Status: - Implemented

Agency Action - On September 16, 1998, DHS adopted formalized procedures to ensure that State aid claims filed with OTDA are prepared timely, completely and accurately. These

procedures require, among other things, that a Senior Revenue Analyst review each claim and supporting schedule against the claiming reports to ensure that the claim accurately reflects reported expenditures.

Recommendation 2

Reimburse OTDA for the \$1,065,179 in net over claims identified by this report.

Status - Implemented

Agency Action - The State's share of the \$1,065,179 over claimed was \$535,462. On April 13, 1998, DHS submitted three supplemental claims to reimburse the State for excess State aid for contracted adult shelters expenses, and the HELP program.

Recommendation 3

Periodically compare selected invoices from family shelters against the shelter's client attendance records to ensure that the correct number of care days is billed.

Status - Implemented

Agency Action - The family shelters that we had identified discrepancies at submitted corrective action plans that addressed the weaknesses cited in the audit. The corrective action plans were reviewed by DHS staff and subsequently implemented by the respective shelters. Effective December 31, 1998, DHS' Pass Control Procedures were revised. The new procedures require DHS staff to randomly examine 10 percent of the families listed on a selected monthly invoice and compare it to the facility's census records or other source documents.

Recommendation 4

Recover the \$5,336 in over billed care days from the appropriate shelters, and reimburse OTDA for the excess State aid resulting from these over billed care days.

Status - Implemented

Agency Action - On January 26, 1999, DHS submitted a supplemental claim to reimburse the State for the excess aid resulting from these over billed care days.

Recommendation 5

Enforce census and formal sign-in/sign-out procedures for family shelters, and require that, where feasible, clients sign in nightly at the shelters.

Status - Implemented

Agency Action - DHS has taken steps to enforce census and formal sign-in/sign-out procedures for family shelters. On December 31, 1998, the Pass Control Procedures were expanded to include four additional site visits by Program Analysts to examine sign-in/sign-out procedures

at the shelters. Also, on June 20, 2000, DHS established written procedures to correct discrepancies discovered in sign-in/sign-out documents and recover any over payments in billing.

Recommendation 6

Recover the \$43,003 in undocumented care days from the appropriate shelters, and reimburse OTDA for the excess State aid resulting from these undocumented care days.

Status - Implemented

Agency Action - On January 26, 1999, DHS submitted a supplemental claim to reimburse the State for the excess aid resulting from these over billed care days.

Recommendation 7

Recover from the appropriate shelters the \$2,282 in over billed care days for clients who have been absent without authorization for more than 48 hours, and reimburse OTDA for the excess State aid resulting from these over billed care days. Ensure that shelters are not reimbursed for such care days in the future.

Status - Implemented

Agency Action - On January 26, 1999, DHS submitted a supplemental claim to reimburse the State for the excess aid resulting from these over billed care days.

Recommendation 8

Propose that the NYCRR be changed so that the hotels are required to maintain attendance records for their homeless clients.

Status - Implemented

Agency Action - Effective September 30, 1998, hotels have used log books to record clients' arrivals and departures from their facility. Effective December 1998, DHS staff periodically select 10 percent of all clients residing in the hotel and compare it to the logbook to ensure clients are signing in and out of the hotel on a regular basis. DHS officials believe that this action will achieve the same overall results as a change in the law.

Major contributors to this report were Stanley Evans and Brenda Maynard. We wish to thank the management and staff of the Department of Homeless Services for the courtesies and cooperation extended to our auditors during this review.

Very truly yours,

William P. Challice
Audit Director

cc: Martha Harvey