

***State of New York
Office of the State Comptroller
Division of Management Audit
and State Financial Services***

**NEW YORK CITY DEPARTMENT OF
HOMELESS SERVICES**

ACCURACY OF STATE AID CLAIMS

REPORT 97-N-8



H. Carl McCall
Comptroller



State of New York Office of the State Comptroller

Division of Management Audit and State Financial Services

Report 97-N-8

Mr. Gordon Campbell
Commissioner
New York City Department of Homeless Services
161 William Street
New York, NY 10038

Dear Mr. Campbell:

The following is our report on the accuracy of the Department of Homeless Services' State aid claims for reimbursement of expenses incurred for homeless shelters.

This audit was performed pursuant to the State Comptroller's authority as set forth in Article V, Section 1, of the State Constitution; Article II, Section 8 of the State Finance Law; and Article III of the General Municipal Law. Major contributors to this report are listed in Appendix A.

*Office of the State Comptroller
Division of Management Audit
and State Financial Services*

November 20, 1998

Executive Summary

New York City Department of Homeless Services Accuracy of State Aid Claims

Scope of Audit

The New York City Department of Homeless Services (DHS) administers 43 shelters for homeless single adults and 90 shelters for homeless families. While some of the shelters are operated directly by DHS, most are operated by nonprofit organizations or private companies under contracts or other agreements with DHS. The costs incurred by the shelters are reimbursed by DHS, and a portion of DHS's payments to these shelters is reimbursed by New York State. For the year ended December 31, 1996, these costs totaled about \$186 million.

Our audit addressed the following questions about the State aid reimbursement claims submitted by DHS for homeless shelter expenses billed to DHS by homeless facilities for the year ended December 31, 1996:

- Was the State aid reimbursement process subject to adequate internal controls?
- Were inaccurate claims submitted by DHS?

Audit Observations and Conclusions

We identified internal control weaknesses in DHS's State aid reimbursement process. Because of these weaknesses, the claims submitted by DHS are less likely to be accurate. Our review of selected claims identified inaccuracies that resulted in a net overpayment to DHS of \$1.1 million.

The State aid reimbursement claims submitted by DHS should accurately reflect the payments made by DHS to the homeless facilities. We selected 75 of the 1,328 invoices submitted to DHS for reimbursement by homeless facilities during 1996 to determine whether the invoices were accurately reflected in DHS's reimbursement claims. We found that four of the invoices were not accurately reflected in the reimbursement claims, resulting in net overclaims by DHS of about \$1.1 million. Most of this overclaimed amount was the result of a single error, as an adjustment of \$994,699 on one of the invoices was not properly accounted for by DHS.

The errors we identified were mathematical and clerical errors; we believe such errors are more likely to be prevented if DHS developed written procedures for its claim review process. We recommend that DHS develop such procedures and reimburse New York State for the \$1.1 million in overclaims. (DHS has filed supplemental claims to reimburse the State for the overclaims we identified.) We also recommend that

improvements be made in the documentation supporting certain types of claims. (See pp. 5-7)

Each family facility is paid on the basis of an agreed upon daily rate multiplied by the number of days spent by clients at the facility (care days). For selected invoices submitted by family facilities, we verified the number of care days claimed by the facilities against client attendance records maintained at the facilities. We found that care days claimed on several of the invoices were not supported by client attendance records. For example, extra days were claimed for clients who stayed at facilities for only part of a month and care days were claimed for clients whose attendance at the facilities was not documented for those days. As a result, DHS was overbilled a net amount of \$50,621. We were unable to verify the care days claimed by the six hotels in our sample that provided homeless shelter services, because unlike the other homeless facilities, hotels are not required to maintain client attendance records. (See pp. 9-13)

The erroneous billings we identified were not detected by DHS, and were included in State aid reimbursement claims submitted by DHS. We recommend that DHS periodically compare selected facility invoices against the facilities' client attendance records, take action to improve the attendance records maintained by some facilities, and require hotels to maintain client attendance records. We also recommend that DHS recover from the appropriate facilities the \$50,621 in overbilled or undocumented care days, and reimburse New York State for the State aid claimed for these care days. (See pp. 9-13)

Comments of DHS Officials

DHS officials agreed with the eight recommendations in this report. DHS stated that it had already filed supplemental State aid claims with OTDA to reimburse the State for its share of the amounts overclaimed. DHS also stated that it is in the process of recovering reimbursement from the facilities for the overbilled and undocumented care days our audit identified. DHS further indicated that it had found our audit "constructive in highlighting . . . areas where modification to the current procedures would be beneficial to our operation." DHS's complete response is included as Appendix B.

Contents

Introduction	Background	1
	Audit Scope, Objectives and Methodology	3
	Internal Control and Compliance Summary	3
	Response of DHS Officials	4

Support for State Aid Claims	Claims Relating to Contracted Shelters	5
	Claims Relating to Billed Facilities	6
	Recommendations	7

Support for Invoices from Shelters	Overbilled Care Days	9
	Undocumented Care Days	10
	Recommendations	13

Appendix A	Major Contributors to This Report	
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Appendix B	Comments of DHS Officials	
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Introduction

Background

The New York City Department of Homeless Services (DHS) provides emergency shelter and related services to homeless families and individuals. DHS's functions include determining eligibility for emergency housing services, providing outreach services to people living in public places, and working with other government agencies to help homeless people gain access to permanent housing. New York City Local Law 51 of 1993 established DHS effective July 1993. Prior to that time, the New York City Human Resources Administration (HRA) was responsible for planning, implementing and managing services for homeless families and individuals.

During our audit period, the New York State Department of Social Services was responsible for overseeing the administration of homeless services programs. On August 20, 1997, the Governor signed welfare reform legislation that abolished the Department of Social Services and created a new agency in its place: the Department of Family Assistance. The Department of Family Assistance is composed of two independent agencies: the Office of Temporary and Disability Assistance (OTDA) and the Office of Children and Family Services. OTDA assumed oversight responsibility for homeless services programs. However, DHS oversees the day-to-day operations of the various shelters in New York City; in carrying out this responsibility, DHS follows the State Social Services Law as well as State and local rules and regulations.

DHS has two program divisions: Adult Services and Family Services. The Division of Adult Services is responsible for coordinating programs for homeless single adults. The Division manages 43 adult shelters with a capacity for more than 7,000 residents. Nonprofit organizations, overseen by the Division, operate 35 of these facilities. DHS directly operates eight facilities.

The Division of Family Services manages programs and services for eligible 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 1998, the Division oversees or operates 90 family service facilities which include 68 family shelters, 18 hotels and three reception centers. DHS directly operates four of the family shelters and the three reception centers. Sixty-five of the family shelters are operated by nonprofit organizations. The eighteen hotels are operated by private companies under referral arrangements with DHS.

According to Part 900 of the New York Codes, Rules and Regulations (NYCRR), facilities that provide shelter with private sleeping arrangements to ten or more homeless families may request OTDA approval to be called Tier II facilities. As of December 31, 1996, DHS managed 68 family shelters of which 56 were Tier II. Of the 68 family shelters, 41 had a formal contract with DHS. According to DHS officials, although there are no formal contracts with the other 27 family shelters and 15 hotels (referred to collectively in this report as billed facilities), the billed facilities agree to comply with Part 900 of the NYCRR, which governs the operations of Tier II facilities, and to operate as Tier II facilities.

Many of the costs incurred by DHS in providing homeless services are reimbursed by New York State or the Federal government. Costs incurred for homeless families with children who qualify for assistance under the Temporary Assistance to Needy Families program (TANF, which was formerly called 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 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 those 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 OTDA for payment.

During the year ended December 31, 1996, DHS submitted reimbursement claims totaling more than \$300 million for expenses incurred in providing homeless shelter services. Of this amount, more than \$186 million was for payments to contracted facilities and billed facilities, as follows:

	Contracted Family Shelters	Billed Facilities	Contracted Adult Shelters	Total
Number of Providers	41 Shelters	27 Shelters 15 Hotels	35 Shelters	
Payments	\$58,501,281	\$60,410,331	\$67,122,256	\$186,033,868

Audit Scope, Objectives and Methodology

We audited the State aid reimbursement claims submitted by DHS for homeless shelter expenses billed to DHS by adult shelters, family shelters and hotels for the year ended December 31, 1996. This cut-off date coincided with the last claim reviewed by OTDA at the start of our audit. The objectives of our financial audit were to evaluate the internal controls over the State aid reimbursement process and to verify the accuracy of selected State aid claims for reimbursement. To accomplish our objectives, we interviewed personnel at DHS, OTDA and selected homeless facilities. We also reviewed selected State aid claims, other records maintained by DHS, and records maintained by selected homeless facilities.

We did our audit according to generally accepted government auditing standards. Such standards require that we plan and do our audit to adequately assess those operations included in our audit scope. Further, these standards require that we understand DHS's internal control structure and its compliance with those laws, rules and regulations that are relevant to those operations included in our audit scope. An audit includes examining, on a test basis, evidence supporting transactions recorded in the accounting and operating records and applying other auditing procedures as we consider necessary in the circumstances. An audit also includes assessing the estimates, judgments, and decisions made by management. We believe our audit provides a reasonable basis for our findings, conclusions and recommendations.

We use a risk-based approach when selecting activities to be audited. This approach focuses our audit efforts on those operations identified through a preliminary survey as having the greatest probability of needing improvement. Consequently, by design, finite audit resources are used to identify where and how improvements can be made. Thus, little audit effort is devoted to reviewing operations that may be relatively efficient or effective. As a result, our audit reports are prepared on an "exception basis." This report, therefore, highlights those areas needing improvement and does not address activities that may be functioning properly.

Internal Control and Compliance Summary

Our consideration of DHS's internal control structure identified weaknesses in the controls over the State aid claims process that are further explained in the sections of this report entitled "Support for State Aid Claims," and "Support for Invoices from Shelters." We also noted certain other matters relating to compliance with laws, rules and

regulations that should be addressed by DHS. These matters are presented throughout the report.

Response of DHS Officials

Draft copies of this report were provided to DHS officials for their review and comments. Their comments were considered in preparing this report, and are included as Appendix B.

DHS responded that it had found our audit “constructive in highlighting... areas where modification to the current procedures would be beneficial to our operation.” DHS agreed with our eight recommendations, indicating that it has already taken actions to implement them.

Within 90 days after final release of this report, we request the Commissioner of the New York City Department of Homeless Services to report to the State Comptroller, advising what steps were taken to implement the recommendations contained herein, and where recommendations were not implemented, the reasons therefor.

Support for State Aid Claims

The homeless shelters overseen by DHS provide services to a certain number of clients each month. Each month the shelters send invoices to DHS to recover the costs incurred in providing these services. These invoices are reviewed by either the Division of Adult Services or the Division of Family Services before they are forwarded to the DHS Finance Department for payment. Payment to family shelters is based on an agreed upon daily rate multiplied by the number of days clients resided at the shelter during the month. Payment to adult shelters is based on the actual expenses incurred by the shelter for the month in relation to a budget approved by DHS. DHS then submits its monthly State aid reimbursement claims on the basis of the payments made to the shelters.

We examined the procedures used by DHS to provide assurance that State aid reimbursement claims accurately reflect the payments made to the shelters. We identified weaknesses in these procedures as well as instances in which State aid reimbursement claims did not accurately reflect the payments made to the shelters. In fact, the claims included in our sample exceeded the corresponding payments to the shelters by a net amount of about \$1.1 million.

Claims Relating to Contracted Shelters

During the year ended December 31, 1996, DHS received a total of 320 invoices from contracted adult shelters for providing shelter services and paid these shelters a total of \$67.1 million. We randomly selected 25 of these 320 invoices to determine whether the 25 invoices were accurately reflected in DHS's reimbursement claims for State aid. We found that two of the invoices were not accurately reflected in the reimbursement claims, as follows:

- \$81,798 of expenses were included on one of the invoices and were paid by DHS, but these expenses were not included in DHS's reimbursement claims (resulting in an underclaim of \$81,798), and
- an adjustment of \$994,699 included on one of the invoices was not properly accounted for by DHS's reimbursement claims (resulting in an overclaim of \$994,699).

During the year ended December 31, 1996, DHS received a total of 539 invoices from contracted family shelters and paid these shelters a total of \$58.5 million. We randomly selected 25 of these 539 invoices to

determine whether the 25 invoices were accurately reflected in DHS's reimbursement claims for State aid. We found that two of the invoices were not accurately reflected in the reimbursement claims, as follows:

- \$148,236 of expenses were included on one of the invoices and were paid by DHS, but these expenses were not included in DHS's reimbursement claims (resulting in an underclaim of \$148,236), and
- \$300,514 of expenses were included on one of the invoices and were paid by DHS, but these same expenses were duplicated on two different DHS reimbursement claims (resulting in an overclaim of \$300,514).

We therefore identified \$1,065,179 in net overclaims for contracted shelters. The individual underclaims and overclaims we identified resulted from clerical and mathematical errors. We believe these errors were not detected by DHS because written procedures have not been developed describing how claims for State aid should be reviewed to ensure that they are accurate. A manual developed by OTDA does describe how the claim forms should be completed, but this manual does not describe how the claims should be supported by source documentation. We note that DHS's State aid claims are reviewed and approved by the Director of the State Claims and Revenue Unit, and it may not be possible for such an individual, acting alone, to carefully compare DHS's State aid claims to the numerous supporting invoices from shelters and the numerous payment vouchers to shelters. We believe erroneous claims are more likely to be detected if a formal review process was in place.

Claims Relating to Billed Facilities

In preparing claims based on payments made to contracted shelters, DHS relies on the invoices from the shelters and the payment vouchers to the shelters. However, when preparing claims based on payments made to billed facilities, DHS uses different procedures. For these claims, DHS relies on a monthly report prepared by HRA. This report indicates how much State aid should be claimed for each facility for that month, but does not relate the State aid claims to specific shelter invoices, specific DHS payments to the shelters, or specific days of shelter for specific clients.

During the year ended December 31, 1996, DHS received a total of 469 invoices from non-contracted family shelters and hotels totaling \$60.4 million. We randomly selected 25 of these 469 invoices to determine

whether the 25 invoices were accurately reflected in DHS's reimbursement claims for State aid. We found that 16 of the 25 invoices did not match the amounts reflected in the reimbursement claims resulting in a net difference of \$125,975.

DHS officials stated that the differences between the amounts on the invoices submitted by the homeless facilities and the amounts subsequently claimed by DHS were due to adjustments made to invoice amounts subsequent to their submission. These adjustments resulted from a match of facility client data with data in the New York State Welfare Management System.

At our request, DHS officials were able to provide documentation that reconciled the invoiced amounts with the claimed amounts.

Recommendations

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.

(DHS stated that it is in the process of developing a formal procedure which will be used as a guideline when processing claims for State reimbursement.)

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

(DHS has filed supplemental claims with OTDA to reimburse the State for the overclaims we identified.)

Support for Invoices from Shelters

The homeless shelters overseen by DHS are paid on the basis of invoices that are submitted to DHS. We examined the procedures used by DHS to provide assurance that the invoices submitted by family shelters are accurate and prepared in accordance with DHS's agreements with the shelters. We identified weaknesses in these procedures as well as instances in which the amounts claimed for payment on the invoices were not supported by documentation maintained at the shelters. For the invoices included in our sample, DHS was overbilled a net amount of \$50,621.

Overbilled Care Days

Each family shelter is paid on the basis of an agreed upon daily rate multiplied by the number days spent by clients at the shelter (care days). For our random sample of 25 of the 539 invoices submitted by contracted family shelters during the year ended December 31, 1996, we verified the daily rate used by the shelter and the number of care days claimed by the shelter. To verify the claimed care days, we visited each of the shelters included in our samples. At these shelters, we reviewed the client admission and discharge records, as well as other records relating to client attendance.

Generally, we were satisfied that the daily rate used on each of the invoices included in our samples, did not exceed the rates allowed in the contract. However, the number of care days claimed on several of the invoices was incorrect, as follows:

- in 10 of the 25 invoices submitted by contracted family shelters, the number of care days was either overbilled or underbilled (resulting in a net overbilling of 67 care days at a cost of \$5,336).

Many of the days were overbilled because extra days were claimed for clients who stayed for only part of a month. Other days were overbilled because, contrary to DHS policy, the final day of a client's stay was claimed for reimbursement. We note that some of the shelters do not use their client attendance records when determining the number of care days to bill DHS.

The erroneous billings we identified were not detected by DHS, and were included in State aid claims submitted by DHS. DHS does not periodically compare selected invoices against the shelters' client attendance

records. We believe the number of billing errors could be reduced if such a procedure were established.

Undocumented Care Days

According to Section 900.11 of the NYCRR, Tier II facilities are responsible for the supervision of clients and must maintain a daily census record of residents. We noted that the facilities, in order to further comply with the supervision requirements, also maintained sign-in/sign-out books. We judgmentally selected care days from each of the 25 invoices included in our sample of contracted family shelters and from 20 invoices from our sample of billed facilities and verified these care days against the sign-in/sign-out records maintained by the shelters to determine whether the clients were actually in the shelters on the claimed days.

We found that some of the care days claimed on some of the invoices were not documented by the sign-in/sign-out records, the census and other relevant records maintained at the shelters, as follows:

- in 7 of the 25 invoices submitted by contracted family shelters, a total of 519 care days were not documented in the sign-in/sign-out records (resulting in an overbilling of \$41,984), and
- in 1 of the 12 invoices submitted by billed family shelters (excluding hotels), a total of 12 care days were not documented in the sign-in/sign-out records (resulting in an overbilling of \$1,019).

These undocumented care days were included in State aid claims submitted by DHS. We believe such weaknesses in documenting care days could be corrected if improvements were made in the procedures used by some shelters in maintaining sign-in/sign-out records for clients. DHS has not established specific procedures for maintaining these records, and as a result, each shelter has established its own procedures. Some of the shelters require clients to sign in nightly, and we believe this requirement provides good assurance that client attendance has been accurately documented for the day.

In addition, eight of the invoices in our sample were submitted by hotels. Unlike other family shelters, hotels are not required by the NYCRR to maintain attendance records for their homeless clients, and none of the six hotels in our sample maintained such records. We were therefore unable to verify whether any of the clients claimed by the hotels were actually in the hotels on the claimed days. To provide greater assurance that hotels

are paid only for services that are actually provided to homeless clients, we recommend that hotels be required to maintain attendance records for their homeless clients.

According to Section 900.8 of the NYCRR, a client who has been absent without authorization for more than 48 hours from a Tier II facility may be involuntarily discharged from the facility. We found that some of the facilities in our samples were not, where appropriate, discharging such clients after 48 hours of unauthorized absence and were billing the State for the days of absence in excess of 48 hours. These facilities often delayed discharging these clients in order to avoid reprocessing clients who return after a brief absence, as clients often do. We agree that clients need not be formally discharged as soon as they have been absent without authorization for more than 48 hours. However, DHS should not be billed for the days such clients are absent, and DHS was billed for such days in some of the invoices included in our sample, as follows:

- in 6 of the 25 invoices submitted by contracted family shelters, DHS was billed for a total of 28 care days for which clients had been absent without authorization for more than 48 hours (resulting in an overbilling of \$2,282).

These 28 care days were included in State aid claims submitted by DHS. In addition, eight of the invoices in our sample were submitted by hotels, and because hotels are not required by the NYCRR to maintain attendance records for their homeless clients, we were unable to determine whether these six hotels billed DHS for clients who had been absent without authorization for more than 48 hours.

Recommendations

3. Periodically compare selected invoices from family shelters against the shelters' client attendance records to ensure that the correct number of care days is billed.
4. Recover the \$5,336 in overbilled care days from the appropriate shelters, and reimburse OTDA for the excess State aid resulting from these overbilled care days.
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.
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.
7. Recover from the appropriate shelters the \$2,282 in overbilled care days for clients who had been absent without authorization for more than 48 hours, and reimburse OTDA for the excess State aid resulting from these overbilled care days. Ensure that shelters are not reimbursed for such care days in the future.

(DHS agreed with Recommendations 3 and 5, indicating that it had asked the audited family shelters to submit corrective action plans showing how they will improve their internal controls. DHS also indicated that it was going to increase its monitoring of client attendance through a number of means, including increasing the number of verification visits it makes from twice a year to six times a year.)

(DHS agreed with Recommendations 4, 6, and 7, stating that it is in the process of preparing a claim to OTDA to reimburse the State for the excess aid received. Regarding Recommendation 7, DHS stated that during its field visits to the facilities it will review the facilities source documentation and determine if the current internal controls are adequate to prevent billing for care days where clients are absent more than 48 hours.)

Recommendations (Cont'd)

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

(DHS informed the hotels that they must keep log books for all DHS clients showing the clients sign-in and sign-out on a regular basis starting by the end of September 1998. DHS believes that this action will achieve the same overall result as a change in the law.)

Major Contributors to This Report

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DEPARTMENT OF HOMELESS SERVICES

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MUZZY ROSENBLATT
ACTING COMMISSIONER

October 7, 1998

Mr. William P. Challice
Audit Director
Office of the State Comptroller
Division of Management Audit & State Financial Services
270 Broadway, 19th Floor
New York, NY 10007

Re: Response to Draft Audit Report on the
Department of Homeless Services - Accuracy
of State Aid Claims (97-N-8)

Dear Mr. Challice:

Your audit of the accuracy of state aid claims was constructive in highlighting for the Department of Homeless Services (DHS) areas where modification to the current procedures would be beneficial to our operation. As noted in the attached audit implementation plans, the Department concurs with the audit findings and has already taken actions that address the audit's recommendations.

Correspondence has been sent out to the audited family shelters requesting that they submit for evaluation a corrective action plan describing their intended improvements to strengthen the areas of internal control where weaknesses were identified. In addition, DHS Family Services is currently developing procedures to standardize the process of comparing invoices against client attendance records to ensure accurate billings. This procedure will also incorporate the client sign in/sign out process. Correspondence has also been sent to the hotels informing them that log books recording DHS client sign in/out are now mandatory.

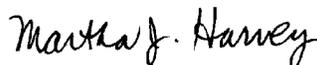
The Department is in the process of recovering from the facilities reimbursement for the over billed and undocumented care days that were identified in your audit. For absences without authorization in excess of forty-eight (48) hours, DHS is not attempting to recover payment from the

providers since policy instruction in this matter was not explicitly defined. New York State Office of Temporary and Disability Assistance (OTDA), however, will be reimbursed for the appropriate portion of the amounts in questioned. As a result of the audit, DHS notified all family services providers that unauthorized absences beyond forty-eight (48) hours will no longer be reimbursed.

As noted in your audit report, DIHS's State Claims and Revenue Unit has already filed supplemental claims with OTDA to reimburse the State for its share of the amount over claimed. The Unit is also in the process of preparing a claim to reimburse OTDA for the excess in State Aid received resulting from over billing, undocumented care days and unauthorized absences.

Working with you and your staff during the course of this audit has proven to be a very positive experience for DHS personnel. Overall, DHS is pleased with the audit results and recognizes the need for continuous improvement in administering our programs that serve the homeless population.

Sincerely,



Martha J. Harvey
Audit Director

Attachments

c: Muzzy Rosenblatt
Dennis Piervicenti
Roger Newman
Dennis Coleman
Jill Banks
Clara Nahum
Charles Elioseff, NYS-OTDA

NEW YORK CITY DEPARTMENT OF HOMELESS SERVICES

Audit Implementation Plan

AUDIT TITLE: New York City Department of Homeless Services - Accuracy of State Aid Claims (Report No. 97-N-8)
AUDITING AGENCY: New York State Comptroller
DRAFT REPORT DATE: August 24, 1998
RESPONSE DATE: September 30, 1998 DIVISION: Finance

A. RECOMMENDATION WITH WHICH THE AGENCY AGREES AND INTENDS TO IMPLEMENT

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.

Agency Response to #1:

DHS is in the process of developing a formal procedure which will be used as a guideline when processing claims to OTDA for State and Federal reimbursements. In addition, the State Claims and Revenue Unit has hired a Senior Revenue Analyst whose primary responsibility is to review and analyze all claims processed to the OTDA. The additional staff member, in conjunction with a formalized procedure, will ensure the accuracy of our claims.

TARGET IMPLEMENTATION DATE

October 30, 1998

Recommendation #2 : Reimburse OTDA for the \$1,065,179 in net overclaims identified by this report.

Agency Response to #2:

As noted in the Draft Report, the Revenue Unit has filed three (3) supplemental claims with OTDA to reimburse the State for the overclaims in the amount of \$570,618 representing the State's share of the gross amount.

TARGET IMPLEMENTATION DATE

Already Implemented
April 1998

NEW YORK CITY DEPARTMENT OF HOMELESS SERVICES

Audit Implementation Plan

AUDIT TITLE: New York City Department of Homeless Services - Accuracy of State Aid Claims (Report No. 97-N-8)
AUDITING AGENCY: New York State Comptroller
DRAFT REPORT DATE: August 24, 1998

RESPONSE DATE: September 30, 1998 **DIVISION:** Finance

Recommendation #4: Recover the \$5,336 in overbilled care days from the appropriate shelters, and reimburse the OTDA for the excess State Aid resulting from these overbilled care days.

Recommendation #6: Recover the \$43,631 in undocumented care days from the appropriate shelters, and reimburse the OTDA for the excess State Aid resulting from these undocumented care days.

Recommendation #7: Recover from the appropriate shelters the \$2,280 in overbilled care days for clients who had been absent without authorization for more than 48 hours, and reimburse OTDA for the excess State Aid resulting from these overbilled care days. Ensure that Shelters are not reimbursed for such days in the future.

Agency Response to #4,6&7:

The Revenue Unit is in the process of preparing a claim to OTDA to reimburse the State for the excess aid received as a result of the overbilled and undocumented care days, and the overbilled care days claimed for clients who had been absent from the shelters without authorization for more than 48 hours. The recovery of the overpayments from the identified shelters is being handled by DHS Family Services.

TARGET IMPLEMENTATION DATE

October 20, 1998

RESPONSIBILITY CENTER

Signature:



Jill Banks
Director of Finance

10/7/98

Date

NEW YORK CITY DEPARTMENT OF HOMELESS SERVICES

Audit Implementation Plan

AUDIT TITLE: New York City Department of Homeless Services - Accuracy of State Aid Claims (Report No. 97-N-8)
AUDITING AGENCY: New York State Comptroller
DRAFT REPORT DATE: August 24, 1998
RESPONSE DATE: September 30, 1998 **DIVISION:** Family Services

A. RECOMMENDATION WITH WHICH THE AGENCY AGREES AND INTENDS TO IMPLEMENT

Recommendation # 3 & 5:

Recommendation #3: Periodically compare selected invoices from family shelters against shelters' client attendance records to ensure that the correct number of care days is billed.

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.

Agency Response to #3 & #5

The audited family shelters were asked to submit a corrective action plan by October 22, 1998 that specifically explains how they will improve their internal controls to ensure that the areas in which the auditors detected weaknesses would be corrected. DHS's staff will review the plans, and once approved, will require the facilities to implement.

DHS has formally advised family shelters through written correspondence of the findings of the audit dated September 21, 1998 (See Attachment 1). The significant points of the audit will be reiterated at the quarterly Family Shelter Director meeting scheduled for October 7, 1998. DHS already has a procedure to monitor clients' whereabouts entitled the *Pass Control Procedure*. This procedure ensures that clients sign-in and sign-out every time they enter and leave the facility, and where it is feasible, clients are required to sign-in every night. Currently, as part of this procedure, Family Services performs field visits once every six months to review the facilities' source documentation for 10% of their current population and compares it with the records of services rendered to the clients during their stay. DHS's Billing Unit, as part their function, reviews each facility's bill and compares it to the DHS's HERO (Housing Emergency Referral Operation) Unit occupancy records prior to processing payment. If discrepancies are found to exist between the invoices and HERO occupancy records, the DHS's Billing Unit requires the facility to provide documentation to substantiate the clients' care days. DHS's Family Services will expand the *Pass Control Procedure* to include six (6) visits per fiscal year. Four (4) Quarterly inspections and two (2) weekend visits will now be conducted to review the facilities' sign-in and sign-out procedures. In addition, Family Services will include a section in the Family Shelter Monitoring Tool that will mandate examining a percentage of the facility's source documents (i.e., attendance records) and comparing it to the facility's invoices to verify clients' residential care days. During these visits, if DHS's staff finds discrepancies between the source documentation and the respective invoices, the facility will be required to submit for DHS approval a corrective action plan to resolve the identified problem area(s).

NEW YORK CITY DEPARTMENT OF HOMELESS SERVICES

Audit Implementation Plan

AUDIT TITLE: New York City Department of Homeless Services - Accuracy of State Aid Claims (Report No. 97-N-8)
AUDITING AGENCY: New York State Comptroller
DRAFT REPORT DATE: August 24, 1998
RESPONSE DATE: September 30, 1998 **DIVISION:** Family Services

Recommendations # 4,6,7:

Recommendation #4: Recover the \$5,336 in overbilled care days from the appropriate shelters, and reimburse OTDA for excess State aid resulting from these overbilled care days.

Recommendation # 6: Recover the \$43,631 in undocumented care days from the appropriate shelters, and reimburse OTDA for the excess State aid resulting from these undocumented care days.

Recommendation #7: Recover from the appropriate shelter the \$2,280 in overbilled care days for clients who had been absent without authorization for more than 48 hours, and reimburse OTDA for the excess State Aid resulting from these overbilled care days. Ensure that shelters are not reimbursed for such care days in the future.

Agency Responses to # 4, 6,7:

Response #4 & #6:

DHS has sent formal notification to the audited facilities where instances of overbilling and undocumented care days were detected requesting repayment of these instances by October 13, 1998. (See Attachment 2). Family Services will monitor this process to ensure that repayments are received by the specified date. The claims to reimburse OTDA for the excess State aid received as a result of these errors is being processed by DHS's Finance Division.

Response #7:

According to Section 900.8 of the NYCRR, a client who has been absent without authorization for more than forty-eight (48) hours from a Tier II facility may be involuntarily discharged. As stated in the audit report, the State recognizes the fact that in order to avoid reprocessing clients who return after a brief absence, clients need not be formally discharged as soon as they have been absent without authorization for more than forty-eight (48) hours. Historically, due to the vagueness of this regulation, both Family Services and Tier II facilities evaluated each case according to its merits and made a determination to either terminate or allow the clients' residential stay based on the documentation provided by the client. The regulation did not clearly state that facilities should not bill for those care days where the client was absent from the facility without authorization and not discharged. Based on the State Comptroller's audit findings, DHS has formalized the agency's position by sending written notification to family shelters on September 21, 1998. (See Attachment 1). Prior to September 21, 1998, DHS will not require Tier II facilities to repay the Department for these charges but DHS will reimburse the state for these charges. DHS's Finance Division is processing the reimbursement claims to the State. In the future, DHS staff will closely monitor each facility's operational processes by increasing the number of mandated field visits made to the Tier II

NEW YORK CITY DEPARTMENT OF HOMELESS SERVICES

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Agency Response to #7 Continued:

facilities from once every six (6) months to four (4) quarterly inspections and two (2) weekend field visits. During these visits, DIIS staff will review the facility's source documentation and make a determination if the current internal controls are adequate to prevent billing for care days where clients are absent for more than forty-eight (48) hours. DHS staff will ask for corrective action plans, for DHS's approval, when discrepancies are found.

TARGET IMPLEMENTATION DATES

For Recommendations 4 & 6 - October 13, 1998
For Recommendation 7- December 31, 1998

Recommendation # 8: Propose that the NYCRR be changed so that hotels are required to maintain attendance records for their homeless clients.

Agency Response to #8:

The Department has informed all the hotels by letters sent on August 28, 1998 (Attachment 3) that they must now keep log books for all DIIS clients requiring that DHS's clients sign-in and out of their facilities on a regular basis. The log books must be operational by the end of September, 1998. Although the recommendation calls for a change in regulation, the Department feels that our alternative action will achieve the same overall desired result.

TARGET IMPLEMENTATION DATE

September 30, 1998

RESPONSIBILITY CENTER

Signature:



Dennis Piervicenti
Deputy Commissioner for Family Services

10/6/98

Date

Audit Implementation Plan Form A



DEPARTMENT OF HOMELESS SERVICES

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New York, New York 10013

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GORDON J. CAMPBELL
COMMISSIONER

DENNIS PIERVICENTI
DEPUTY COMMISSIONER
FAMILY SERVICES

ROGER NEWMAN
ASSISTANT COMMISSIONER

September 21, 1998

Ms. Fabienne Kirk, Director
Abyssinian House
139-43 West 138th Street
New York, NY 10030

Dear Ms. Kirk,

We have received the final report of the recent audit conducted by The Office of the State Comptroller on the accuracy of the Department of Homeless Services State Aid Claims for reimbursement of expenses incurred for homeless shelters. Attached for your information is a copy of the audit findings and recommendations. You will note their findings represent instances where DHS was billed for residential care days in the categories listed below:

1. Clients had been AWOL from the facility in excess of forty-eight (48) hours (Unexcused Absences > 48 Hours).
2. Facilities billed for days prior to the clients' arrival (Over billing).
3. Facilities billed for clients' last day (Over billing).
4. Clients' daily attendance could not be substantiated by attendance record (Undocumented Days).

This letter serves to advise you that DHS concurs with their findings and recommendations. We understand that the over billing and undocumented categories were most likely clerical errors. However, since the agency never clarified its position with regard to unexcused absences beyond 48 hours, effective upon receipt of this letter, any claims for reimbursement for absences beyond 48 hours without proper documentation will no longer be reimbursed.

Thank you for your continued cooperation.

Sincerely,

A handwritten signature in black ink, appearing to read 'Roger Newman', written over a horizontal line.

Roger Newman

c: D. Piervicenti
M. Ackerman
D. Tyler
J. Banks
M. Harvey



DEPARTMENT OF HOMELESS SERVICES

60 Hudson Street
New York, New York 10013

(212) 274-5721
Fax: (212) 274-5172

MUZZY ROSENBLATT
ACTING COMMISSIONER
DENNIS PIERVICENTI
DEPUTY COMMISSIONER
FAMILY SERVICES
ROGER NEWMAN
ASSISTANT COMMISSIONER

September 22, 1998

Ms. Gladys Rodriguez, Director
Stockholm Family Residence
99-103 Stockholm Street
Brooklyn, NY 11221

Dear Ms. Rodriguez:

We have received the report of the audit conducted at your facility by the Office of the State Comptroller. We have sent a copy of the report for your review under separate cover. As we have previously advised, the auditors found instances where the Department of Homeless Services was billed for residential care days that included the following categories:

1. Clients had been AWOL from the facility in excess of forty-eight (48) hours (**Unexcused Absence > 48 hours**)
2. Facilities billed for days prior to the clients' arrival (**Over billing**)
3. Facilities billed for clients' last day (**Over billing**)
4. Clients' daily attendance could not be substantiated by Attendance Sheets (**Undocumented Days**)

Based on our request for the audited agencies to send documentation to dispute the auditor's original findings, DHS staff along with the State Comptroller's auditor were able to review the documentation sent to them which substantially reduced the original amount from \$81,163 to \$52,932. Your efforts in providing this information on a timely basis proved to be very beneficial.

However, the results of the audit identified weakness within your current billing procedure and your ability to provide supporting documentation to substantiate residential care days. As you know, it is your responsibility to have adequate internal controls that will ensure accurate billing. DHS request that your organization submit a formal corrective action plan that specifically explains how you will monitor your billing process in the future to prevent the recurrence of overbilling and undocumented claims. This plan should be submitted to T. Jardine by close of business **Thursday, October 22, 1998.**

In instances where the auditors found charges for unexcused absences of more than 48 hours, DHS will not require reimbursement of these charges. However, in the case of over billing and undocumented days, DHS will require reimbursement of these amounts. The check should be made payable to the Department of Homeless Services and sent to the following address:

**Department of Homeless Services
Office of Finance
161 Williams Street, 16th Floor
New York, New York 10013
Attn.: Jill S. Banks**

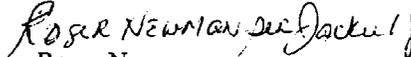
Please attach a cover letter with your check indicating that the payment represents reimbursement of overcharges found in the state comptroller's audit. In addition, please forward a copy of the cover letter to Jacqueline Holly at the following address:

**Department of Homeless Services
Office of Transitional Family Services
60 Hudson Street, Room 901
New York, New York 10013**

Repayment of these charges is due by close of business Tuesday, October 13, 1998. Attached is a detailed chart listing the clients' name and service dates of the overcharges. If you have any questions, regarding the amounts or the repayment procedures, please contact Jacqueline Holly at (212) 274 - 5328.

Thank you for your anticipated cooperation.

Sincerely,


Roger Newman

cc: D. Piervicenti
M. Harvey
L. Penoyer
J. Banks
J. Holly
T. Jardine



The City of New York
Department of Homeless Services

Attachment 3

60 Hudson Street,
New York, NY 10013
212-274-5721 Fax 212-274-5172

Gordon J. Campbell
Commissioner

Dennis Piervicenti
Deputy Commissioner
Family Services

Roger Newman
Assistant Commissioner

August 28, 1998

Berger Corporation
Lincoln Atlantic Hotel
90-35 Van Wyck Expressway
Queens, New York 11435
Attn.: Benjamin Berger

Dear Mr. Berger:

In conjunction with the rules and regulations that you have established for the occupants of your facility, the Department of Homeless Services' administrative staff is requiring that an additional rule be included. This request is part and parcel to our auditing mandates to more closely monitor the reliability of client residency records in all hotels.

In order to achieve this, there now *must* be placed at the hotel front desk, within easy access and visibility of all clients entering and leaving the premises, a client "Sign-In/Out" book. The book should include clearly designated columns which provide a space for: *a printed name, a signature, a date, a time out and a time in* and must be utilized by each adult for *every* exit and entry made. The first signature must reflect the clients' date of arrival at your hotel. It may be necessary to remind each shift of your desk personnel to remain vigilant in requiring clients to make use of this book at all times.

Thank you for your assistance. Should you have any questions, please feel free to contact me at 212-274-5302.

Sincerely,

Dennis Piervicenti

c: D. Coleman
S. Selsey
S. Weitz
H. Brown
R. Steward
K. Bomah