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STATE OF NEW YORK
OFFICE OF THE STATE COMPTROLLER

August 8, 2024

Barbara C. Guinn
Commissioner
Office of Temporary and Disability Assistance
40 North Pearl Street
Albany, NY 12243

Re: Reimbursement of Homeless Shelter
Providers – Westhab Inc.'s Coachman
Family Center
Report 2024-F-1

Dear Commissioner Guinn:

Pursuant to the State Comptroller's authority as set forth in Article V, Section 1 of the State Constitution and Article II, Section 8 of the State Finance Law, we have followed up on the actions taken by officials of the Office of Temporary and Disability Assistance to implement the recommendations contained in our initial audit report, *Reimbursement of Homeless Shelter Providers – Westhab Inc.'s Coachman Family Center* (Report [2020-S-56](#)).

Background, Scope, and Objective

The Office of Temporary and Disability Assistance (OTDA) administers programs for the State's low-income residents and provides support, supervision, and guidance to local departments of social services (Local Districts), including those that serve the homeless. As of January 2024, OTDA oversees a network of 589 emergency homeless shelters across the State. According to the U.S. Department of Housing and Urban Development's point-in-time count for New York State, for a specific day in January 2023, there were 103,200 homeless individuals.

OTDA's funding of shelter services is administered through the Local Districts, comprising the New York City Department of Homeless Services and 57 county offices throughout the rest of the State. Local Districts' annual claim submission to OTDA for homeless housing was \$2 billion or more for calendar years 2019 through 2022.

Since 1996, the Westchester County Department of Social Services (WCDSS) has contracted with the not-for-profit Westhab Inc. (Westhab) to operate Coachman Family Center (Coachman) as a certified shelter for families with children. Coachman, with capacity for 100 adult families, serves over 250 families per year. Westhab is the single largest provider of these services in Westchester County.

In order to effectively evaluate whether costs are eligible for reimbursement, OTDA requires Local Districts that reimburse shelter providers outside of New York City to submit shelters' operating budget annually by January 1. According to State regulations, OTDA will

reimburse Local Districts, such as WCDSS, for the calendar year's approved costs, which are adjusted based on their shelters' actual costs.

OTDA, pursuant to its Administrative Manual, is responsible for reviewing each shelter's operating budget, working with the Local Districts to ensure that all required documents have been included, and assessing budgeted operating costs to verify that they are reasonable and necessary.

Upon making payments to their providers, Local Districts submit monthly claim packages to OTDA for reimbursement. Local Districts' claim submissions must comply with OTDA's Fiscal Reference Manual (Fiscal Manual), which provides guidance on costs that are eligible for reimbursement.

The objective of our initial audit, issued on March 1, 2022, was to determine if OTDA adequately monitored and properly approved reimbursement of claims by homeless shelter providers, such as Westhab's Coachman. Our audit covered the period January 2019 through December 2019 and select expenses from 2020. Overall, the audit found that OTDA was not adequately monitoring and properly approving reimbursements for Westhab's homeless shelter program. Nor had OTDA established an effective budget review process for shelter budgets, which could result in costs exceeding approved levels or in the allocation of money year after year that historically had not been expended and that could have been used elsewhere. For calendar year 2019, we identified \$1,304,695 in reported costs for Coachman that were improperly reimbursed.

The objective of our follow-up was to assess the extent of implementation, as of June 2024, of the six recommendations included in our initial audit report.

Summary Conclusions and Status of Audit Recommendations

OTDA officials made some progress in addressing the issues identified during the initial audit. Of the initial report's six audit recommendations, two were implemented, one was partially implemented, and three were not implemented.

Follow-Up Observations

Recommendation 1

Review and recover, as appropriate, the identified overpayments totaling \$1,304,695, including: \$751,273 in personal service costs, \$509,920 in overstated depreciation from WCDSS, \$40,162 in indirect costs, and \$3,340 in OTPS costs from Westhab.

Status – Partially Implemented

Agency Action – OTDA recovered \$509,920 for the overstated depreciation from WCDSS in December 2021. However, over 2 years after we issued our audit report in March 2022, OTDA had still not recovered the remaining \$794,775 in personal service, indirect, and other than personal service (OTPS) costs, but indicated it planned to settle that recovery in June 2024.

Recommendation 2

Conduct a formal risk assessment regarding homeless funding and take steps to mitigate the risks identified.

Status – Not Implemented

Agency Action – Since our initial audit, OTDA has not conducted a formal risk assessment regarding homeless funding. According to OTDA, it continues to evaluate criteria to use in a formal risk assessment tool and has initiated an information-gathering effort with the goal of developing an effective and meaningful process to assess the risks regarding homeless funding. Further, according to OTDA, the Division of Shelter Oversight and Compliance (DSOC) and the Division of Audit and Quality Improvement held preliminary discussions to identify risk factors to include in the formal risk assessment and to consider a scoring/weighting system to assign to the risks. However, OTDA did not provide documentation of those discussions and efforts. Furthermore, while OTDA indicated it will finalize the criteria, determine “scoring weights” for each criterion, and implement a risk assessment tool, it didn’t have a version of the tool available for us to review.

Recommendation 3

Establish additional monitoring controls and improve oversight to ensure that Westhab claims only actual expenses and that those expenses are allowable, allocable, reasonable, supported, and consistent with the Uniform Guidance, Fiscal Manual, and contract.

Status – Implemented

Agency Action – Since our initial audit, OTDA has established a system of monitoring controls to improve oversight of Local Districts’ reimbursement to providers to ensure that expenses are allowable, allocable, reasonable, and consistent with approved budgeted costs and the contract. Beginning in 2022, OTDA began to review the expenses that the Local Districts submitted to OTDA for reimbursement, along with the Local Districts’ oversight of shelter providers. In addition to conducting audits of the shelter providers, OTDA now also conducts audits of the Local Districts. Further, OTDA’s audit process now includes selecting a quarter of the expenses for a fiscal year to determine if the expenses are reasonable, allowable, and allocable as defined in the federal Office of Management and Budget’s Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). If issues are identified, the scope is expanded to include additional quarters in an effort to identify the cause of the issues. Since the release of our initial audit, OTDA has engaged five audits of the Local Districts, for which we have reviewed the engagement letters. According to OTDA, two audits are in the draft report phase.

Recommendation 4

Implement measures for cost savings such as monitoring and capturing actual costs reimbursed to shelter providers and include this in the budget approval process to ensure appropriate reimbursement of the program and future funding.

Status – Not Implemented

Agency Action – OTDA has not implemented measures for cost savings. According to OTDA, it reviews each proposed budget to assess whether budgeted expenditures are reasonable and necessary. OTDA further states that the implementation of a timely budget review process would preclude it from comparing actual costs to a proposed budget because actual expenditures in a given fiscal year would not be complete in

sufficient time for the next year's budget approval. OTDA also stated that, in the longer term, it is evaluating the shelter budget review process to identify any improvement opportunities. Although OTDA says it has frequent meetings to discuss process improvements, it was unable to provide documentation to substantiate those meetings and discussions because it does not take meeting minutes.

Recommendation 5

Implement a budget process that is timely so that intended spending controls are meaningful and effective.

Status – Not Implemented

Agency Action – Although OTDA has made some attempt to improve the budget process—which includes working internally with staff on the timeliness of budget reviews, issuing an Administrative Directive, and sending e-mail reminders to Local Districts—the budget process continues to lag. According to OTDA, the Shelter Management System (SMS) allows each shelter to submit for review only one budget at a time and does not allow for the submission or review of multiple years' budgets at the same time. As of April 2024, OTDA data showed that, for 2024, only five budgets (of the more than 500 budgets expected) had been submitted, and that OTDA was working on reviewing prior years' budget submissions (383 from 2023 and one from 2022). The submission deadline for 2023 budgets was extended until February 29, 2024, and the approval deadline was extended until May 17, 2024. Once a budget has reached a final status (i.e., Approved or Closed – Not Approved), only then will the Local District be able to submit next year's shelter budget in SMS. Reviewing budgets after expenses have already been incurred greatly limits the effectiveness and meaningfulness of spending controls.

Recommendation 6

Issue guidance and provide support, such as training, to Local Districts on reimbursable shelter costs to ensure costs are allowable and compliant with relevant regulations and guidelines.

Status – Implemented

Agency Action – OTDA has taken actions to issue guidance and provide support to Local Districts on reimbursable shelter costs to ensure costs are allowable, allocated appropriately, and compliant with relevant regulations and guidelines. In July 2023, OTDA issued a Directive to Local Districts on reimbursable shelter costs with the intent to ensure costs are allowable and compliant with relevant regulations and guidelines. The Directive and accompanying attachments (guidance) provide instructions regarding shelter budget submission deadlines, required accounting procedures, payment rates, definitions of expenditure categories, and reporting guidelines for personal service and OTPS costs. The guidance also provides a broad overview of the Uniform Guidance requirements that OTDA has also chosen to apply to State spending for emergency shelters. Further, the guidance provides a list of examples of non-allowable costs.

Additionally, DSOC staff provide Local Districts and providers with guidance on shelter budgets. According to OTDA, DSOC staff speak daily with Local Districts and/or providers regarding shelter budgets and the Directive's requirements. OTDA also conducts scheduled calls with Local Districts and providers, one of which is a standing monthly call with DSOC and New York City Department of Homeless Services staff

where training, guidance, and budget issues are discussed. According to OTDA, while it has always provided support to Local Districts and providers who have asked questions or needed assistance, there has been an increase in those meetings and calls since it issued the Directive.

Major contributors to this report were Chris Herald, CIA, CGAP; Christi Duncan; Christina Frisone; and Joseph Southworth.

OTDA officials are requested, but not required, to provide information about any actions planned to address the unresolved issues discussed in this follow-up within 30 days of the report's issuance. We thank the management and staff of OTDA for the courtesies and cooperation extended to our auditors during this follow-up.

Very truly yours,

Bob Mainello, CPA
Audit Manager

cc: Rajni Chawla, Office of Temporary and Disability Assistance
Tom Cooper, Office of Temporary and Disability Assistance