

# New York City Department of Social Services

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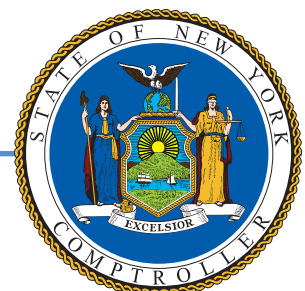
## Administration of the CityFHEPS Program for Department of Homeless Services Shelter Residents

Report 2023-N-1 | October 2024

OFFICE OF THE NEW YORK STATE COMPTROLLER  
Thomas P. DiNapoli, State Comptroller

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Division of State Government Accountability



# Audit Highlights

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## Objective

To determine whether the New York City Department of Social Services is administering the City Fighting Homelessness and Eviction Prevention Supplement (CityFHEPS) program according to the rules and regulations, thereby assisting Department of Homeless Services shelter residents in securing permanent housing. The audit covered the period from July 2019 through December 2023.

## About the Program

New York City has long been plagued by a shortage of affordable housing and a homelessness crisis. In October 2018, the New York City Department of Social Services (DSS) launched its CityFHEPS rental assistance program intended to help New Yorkers living in homeless shelters and those who are at risk of homelessness secure permanent housing. DSS, which comprises the Department of Homeless Services (DHS) and the Human Resources Administration (HRA), leverages shared services, functions, and systems across its agencies to administer CityFHEPS, including DHS' Client Assistance and Rehousing Enterprise System (CARES)—a case management system—and the Welfare Management System, the system of record for various social services programs in New York. For example, data shared between the two systems helps identify households who are potentially eligible for CityFHEPS. Households who are identified from the match are issued a letter, otherwise known as “Shopping Letters,” enabling them to initiate the search for housing. Once an apartment is identified and all requirements are met, HRA approves the household for CityFHEPS.

According to DSS officials, since the launch of CityFHEPS in 2018 through January 2024, the program processed 41,563 new cases helping 87,588 individuals to secure permanent housing. Officials also reported that, between fiscal years 2019 and 2023, CityFHEPS's expenses increased from \$174 million to \$365 million. In fiscal year 2024, the program's budget was \$816 million.

CityFHEPS is administered in accordance with Title 68, Chapter 10 of the Rules of the City of New York (Rules). As outlined in the Rules, as of 2023, CityFHEPS consists of three programs: the tenant-based rental assistance program (Subchapter A), the project-based rental assistance program (Subchapter B), and the unit repair program (Subchapter C). Additionally, HRA offers “Unit Hold” incentives, typically 1 month's rent, to landlords who agree to hold an eligible unit while a CityFHEPS application is being processed.

## Key Findings

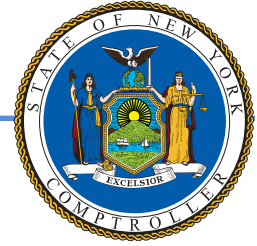
DSS has not established appropriate policies and procedures to guide the CityFHEPS process specifically and the program overall. This has resulted in systemic inefficiencies and irregularities in its administration of CityFHEPS. Further, DSS' weak monitoring and oversight led to significant delays in families and individuals being able to obtain permanent housing. Among other issues, we found:

- For our judgmental sample of 52 cases, it took an average of 10 months from when households received a Shopping Letter to when they were approved for CityFHEPS and subsequently exited the shelter into permanent housing. In one case, a client had to wait more than 3 years after receiving the first Shopping Letter before being approved for the program.
- DSS does not take adequate steps to ensure the reliability of data entered in the CARES system, which plays a crucial role in ensuring that all potentially eligible households are identified and receive Shopping Letters, and that shelter exits are recorded and reported accurately.

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- DSS does not have a process to verify that Unit Hold Incentives are paid only to eligible landlords. According to DSS records, a total of \$1.7 million in Unit Hold Incentives were paid to landlords who were approved for Augmented CityFHEPS, despite their ineligibility.
  - DSS has not provided adequate oversight of Subchapter B contractors, who are paid to manage apartments for CityFHEPS tenants, to ensure that units are managed efficiently and effectively and made available to eligible clients referred by DHS, that units meet safety and habitability standards, and that rental payments to contractors for units that become vacant are appropriate. For example:
    - For calendar year 2023, 116 of the 567 units (approximately 20%) designated for CityFHEPS tenants remained vacant as of December 2023. Although they were identified to us as being uninhabitable, DSS did not conduct in-person inspections to verify this status.
    - As of March 12, 2024, units in Subchapter B buildings had a total of 5,374 open violations, including 1,396 Class C (immediately hazardous) violations such as self-closing doors that were missing or defective, mouse/rat and roach infestations, visible mold areas greater than 30 square feet, and peeling lead paint. For instance, a Class C violation for peeling lead paint has been outstanding since October 2022. Moreover, DSS or a DSS-approved agency did not conduct physical inspections to confirm the safety and habitability of Subchapter B units.
    - DSS does not have adequate controls in place to ensure that payments are not improperly made for vacant CityFHEPS units. For instance, we found that DSS paid a contractor approximately \$9,000 for two units that were vacant during 2023.

## Key Recommendations

- Implement a system that appropriately monitors clients' eligibility for CityFHEPS and ensure that Shopping Letters are issued and renewed in a timely manner.
- Routinely monitor client case management records in DHS' CARES for potential errors and update/correct accordingly.
- Establish proper internal controls over CityFHEPS payments to landlords, including monitoring of incentives, and recoup any overpayments or improper payments, as warranted.
- Improve controls related to Subchapter B units, including but not limited to:
  - Establishing proper policies and procedures related to the administration of Subchapter B units.
  - Performing regular physical inspections of units to ensure their habitability for CityFHEPS clients.
  - Monitoring monthly rent payments to ensure that DSS is only paying for units that are occupied by CityFHEPS clients.



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**Office of the New York State Comptroller  
Division of State Government Accountability**

October 30, 2024

Molly Wasow Park  
Commissioner  
New York City Department of Social Services  
4 World Trade Center, 42nd Floor  
New York, NY 10007

Dear Commissioner Park:

The Office of the State Comptroller is committed to helping State agencies, public authorities, and local government agencies manage their resources efficiently and effectively. By so doing, it provides accountability for the tax dollars spent to support government operations. The Comptroller oversees the fiscal affairs of State agencies, public authorities, and local government agencies, as well as their compliance with relevant statutes and their observance of good business practices. This fiscal oversight is accomplished, in part, through our audits, which identify opportunities for improving operations. Audits can also identify strategies for reducing costs and strengthening controls that are intended to safeguard assets.

Following is a report of our audit entitled *Administration of the City FHEPS Program for Department of Homeless Services Shelter Residents*. This audit was performed pursuant to the State Comptroller's authority under Article V, Section 1 of the State Constitution and Article III of the General Municipal Law.

This audit's results and recommendations are resources for you to use in effectively managing your operations and in meeting the expectations of taxpayers. If you have any questions about this report, please feel free to contact us.

Respectfully submitted,

*Division of State Government Accountability*

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# Glossary of Terms

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Term	Description	Identifier
DSS	NYC Department of Social Services	<i>Auditee</i>
Agreement	Master Lease Agreement	<i>Key Term</i>
Augmented CityFHEPS	Payments where the rent may exceed the maximum allowed CityFHEPS subsidy	<i>Program</i>
CA	Cash Assistance	<i>Key Term</i>
CARES	Client Assistance and Rehousing Enterprise System	<i>System</i>
CityFHEPS	City Fighting Homelessness and Eviction Prevention Supplement	<i>Program</i>
CurRent	Landlord management system	<i>System</i>
DHS	NYC Department of Homeless Services	<i>Auditee</i>
Handbook	Neighborhood Renewal's Management and Pre-Development Handbook	<i>Key Term</i>
HDC	NYC Housing Development Corporation	<i>Agency</i>
HPD	NYC Department of Housing Preservation & Development	<i>Agency</i>
HRA	NYC Human Resources Administration	<i>Auditee</i>
MPA	Management and Pre-Development Agreement	<i>Agreement</i>
Neighborhood Renewal	Neighborhood Renewal Housing Development Fund Corporation	<i>Key Term</i>
Policy	DSS Policy Bulletin	<i>Policy</i>
Rules	Rules of the City of New York	<i>Law</i>
WMS	Welfare Management System	<i>System</i>

# Background

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New York City (NYC) has long been plagued by a shortage of affordable housing and a homelessness crisis. Calling it a “tragedy of historic proportions,” in March 2018, the Coalition for the Homeless, the City-appointed independent monitor for the New York City shelter system for homeless families and court-appointed independent monitor for single adults, reported staggering numbers<sup>1</sup>:

- An average of 63,495 men, women, and children slept in City homeless shelters each night in the month of December 2017.
- Three-quarters of New Yorkers sleeping in shelters are members of homeless families, including 23,600 children.
- Over the past decade, homelessness increased 82%.

In October 2018, the New York City Department of Social Services (DSS) launched its City Fighting Homelessness and Eviction Prevention Supplement (CityFHEPS), a rental assistance program intended to help New Yorkers living in homeless shelters and those who are at risk of homelessness secure permanent housing. CityFHEPS is administered by DSS, which includes the Department of Homeless Services (DHS) and the Human Resources Administration (HRA). According to DSS, the City leverages shared services, functions, and systems across the agencies to administer CityFHEPS, including DHS’ Client Assistance and Rehousing Enterprise System (CARES)—a case management system—and the Welfare Management System (WMS), the system of record for various social services programs in New York.

According to DSS, since its inception in 2018 through January 2024, CityFHEPS has processed 41,563 new cases and helped 87,588 individuals to secure permanent housing. Between fiscal years 2019 and 2023, CityFHEPS’s expenses increased from \$174 million to \$365 million. In fiscal year 2024, the program’s budget was \$816 million.

CityFHEPS is administered in accordance with Title 68, Chapter 10 of the Rules of the City of New York (Rules). As of 2023, CityFHEPS consists of three programs: the tenant-based rental assistance program (Subchapter A), the project-based rental assistance program (Subchapter B), and the unit repair program (Subchapter C).

## CityFHEPS Eligibility Determination and Application Process

The CityFHEPS application (Exhibit A) is a complex process of eligibility determination and documentation submission, with different requirements and steps depending on the applicant and housing criteria. In general, the process includes:

***Only about 1.4% of all housing accommodations in New York City was available for rent in 2023. This was one of the lowest net rental vacancy rates on record since 1965. The market was even tighter for lower-cost apartments.***

***2023 New York City Housing and Vacancy Survey***

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<sup>1</sup> <https://www.coalitionforthehomeless.org/wp-content/uploads/2018/03/CFHStateoftheHomeless2018.pdf>

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- 1. Application Procedure:** Individuals or families (households) residing in homeless shelters (shelter applicants) can apply for CityFHEPS at the shelters. Applicants who are potentially eligible are identified through a data match of information in DHS' CARES reported by shelter providers and the Office of Temporary and Disability Assistance's WMS. Households residing in the community (i.e., not street homeless or in an HRA or DHS shelter) can apply through a provider affiliated with Homebase, an HRA-administered homelessness prevention program, where they undergo prescreening to determine their potential eligibility.
  - 2. Search for Housing:** Households who are deemed potentially eligible receive a DSS-issued Shopping Letter, which enables them to start their search for permanent housing. The Shopping Letter includes an expiration date and states the maximum rent allowed for CityFHEPS based on the household's size and the number of rooms/sleeping areas. Additionally, households are issued a Household Share Letter, which indicates the household's share of the monthly rent.
  - 3. Preclearance and Walkthrough:** After the household locates a housing unit, a preclearance is conducted by DSS, and a walkthrough must be conducted by DSS or the shelter provider to ensure that the building and housing unit are safe and habitable.
  - 4. Submission of Document Packet:** Once a household finds housing, the shelter provider must submit a packet of required documents demonstrating that the household's income and the housing selected meet CityFHEPS requirements. As of January 2022, shelter providers can submit rental packages electronically to DHS through CurRent, DSS' new landlord management system.
  - 5. Packet Reviews and Approvals:** Applications then go through a series of higher-level reviews and approvals, including a final review by HRA's Rental Assistance Program unit, which makes an eligibility determination and either approves or denies the packet.
  - 6. Approval Notice:** In the final stage, the initial rent checks are processed, and an Approval Notice is issued to the household and the landlord. The Approval Notice details information including the household composition, monthly rent, and the household's share. This is followed by a key and rent check exchange with the landlord.



# Audit Findings and Recommendations

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Given the enormity of the housing crisis plaguing New York City residents, it is imperative that the CityFHEPS program be administered as efficiently and cost-effectively as possible to ensure that its targeted beneficiaries are receiving the services they are entitled to and that funds are spent in the best interest of the City and State. However, we found, since the program's inception in 2018, that DSS has not established sufficient depth of oversight and monitoring controls to support the program's goals and assist New Yorkers living in shelters to find permanent housing quickly and stay housed. Namely, DSS has not established a sound foundation of policies and procedures to guide the CityFHEPS process specifically or the program overall, nor does it conduct risk assessments to proactively identify and mitigate deficiencies that can compromise the integrity of the CityFHEPS program. As a result, we found systemic irregularities in DSS' administration of the CityFHEPS program—specifically in regard to issuance of Shopping Letters, reliability of CARES data, and oversight of rent payments and Subchapter B apartments—that jeopardize the timely placement of families and individuals in safe, habitable units and the careful management of CityFHEPS funding.

Equally as troubling, when presented with certain findings, DSS officials either shifted their responsibility to other entities or minimized the finding. We strongly encourage DSS to take a stronger oversight posture to proactively identify and mitigate weaknesses.

**According to the triennial New York City Housing & Vacancy Survey for 2023, the rental vacancy rate fell to a multi-decade low of 1.4%, down dramatically from 4.5% in 2021 (pandemic) and 3.63% in 2017 (pre-pandemic). The vacancy rate of apartments that rent below \$1,650 was less than 1%.**

[NYC Comptroller, February 13, 2024](#)

## Unreliability of Provider-Reported CARES Data

### Tracking Shelter Exits

DHS' CARES system is an electronic integrated case management system that aims to give DHS and shelter providers the ability to monitor households from initial intake to shelter exit. Shelter providers are required to enter households' data in CARES. The system is also used to upload households' documentation and generate reports, such as Shelter Exit Reports, in addition to generating Shopping Letters to those households who, based on a match of CARES and WMS data, are deemed potentially eligible for CityFHEPS. The CARES data plays an important role in identifying households who are potentially eligible for CityFHEPS and therefore its reliability is critical to CityFHEPS's mission.

We reviewed case files for 57 households identified on CARES Shelter Exit Reports as having exited the shelter system using CityFHEPS. However, we found inaccuracies with the exit information reported in CARES for the 57 households, as follows:

- For three cases, the household had not, in fact, exited the shelter and were, in essence, lost in the system and not pursued for housing. In response, DSS

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officials indicated that the cases were coded incorrectly and suggested that, because the number was so small, it was not likely indicative of a larger-scale issue. However, upon further review, we found nine additional cases that were also coded incorrectly on Shelter Exit Reports.

- In two cases, the households were miscoded as exiting the shelter via CityFHEPS but, according to DSS officials, they were participating in other public assistance programs, not CityFHEPS.
- Seven households were reported as exiting the shelter via Augmented CityFHEPS, a form of CityFHEPS where rent for an apartment may exceed the maximum monthly rent levels as set forth in the Rules. However, further review showed that the households did not receive Augmented CityFHEPS, but rather exited using CityFHEPS.

We believe these findings point to a larger problem and illustrate the importance of diligent monitoring to ensure that households' exits are recorded and reported accurately.

Notably, an audit issued by OSC in January 2020, *Homeless Outreach Services in the New York City Subway System* ([2018-S-59](#)), found similar reliability issues with DHS' CARES data. Having the benefit of this knowledge in 2020, it would have been prudent for DSS to proactively take steps to ensure the integrity of the data it relies on to serve those in need. When asked how DSS ensures that CARES information is accurate and reliable, DSS officials responded that they are "continuously working to ensure controls in the CARES recording process around shelter exits." However, we found no evidence that DSS has taken any steps, such as conducting spot checks, audits, or risk assessments on CARES data. Lacking any such effort, DSS has no assurance that shelter clients are accurately accounted for and guided into permanent housing.

We also found one case where a household had received an Approval Notice indicating a single-person household, but there was no evidence that CARES had issued a Shopping Letter, without which households may not otherwise be aware of their potential eligibility for permanent housing under the CityFHEPS program. DSS officials responded that, in this case, the household was an adult family, and the Shopping Letter had been issued in the name of the head of the household who was ineligible for CityFHEPS.

## Documenting Key Exchange and Initial Check Disbursement

According to DSS Policy Bulletin 2021-009, after a CityFHEPS packet is approved, shelter providers make arrangements to obtain the initial rent checks from DHS and schedule a check disbursement and key exchange between the landlord and the household. The key exchange and check disbursement is documented using the Rental Assistance Key Release Agreement and Check Distribution form (DSS-7k). The form is signed by all parties involved, attesting that the keys were

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received for the correct unit and check disbursement was made to the correct parties. The completed form is then sent to DHS.

Due to the inaccurate coding of cases in the CARES system, as explained above, our initial judgmental sample of 57 cases was reduced to 52 because five of the sampled cases were coded as exiting the shelter with CityFHEPS, when they did not. We requested case records, including DSS-7k forms, for the sampled 52 cases to determine if the key exchange and check distribution were properly documented and checks were disbursed to the appropriate parties. Despite the policy requirement, DSS officials could not provide evidence that the DSS-7k form was completed for any of the cases. Furthermore, DSS officials stated that shelter providers are responsible for ensuring that the key exchange occurs, adding that DHS acknowledges the key exchange has occurred when the shelter provider updates CARES with the household's permanent address and logs the household out of the shelter with an exit date.

Subsequently, during our audit field work, DSS issued an updated Policy Bulletin 2023-012, which, among other changes, eliminated the DSS-7k form as a requirement for documenting the key exchange and check distribution, thus making policy consistent with practice.

DSS officials later stated that this revised policy was part of DSS' efforts to improve efficiency. While we can appreciate these efforts, given the issues we have identified in this report and in our prior audit regarding the reliability of provider-reported information in CARES, which officials are now relying on to document key exchange in lieu of the DSS-7k, we have no assurance that reported dates for when households exited the shelter and when they received keys to their apartments are accurate or that the appropriate parties received the initial rent checks.

DSS needs to develop and implement appropriate measures to monitor the information recorded in CARES because it serves as the confirmation of household exit as well as proof that the key exchange occurred when the household is logged out of the shelter system.

## **Poor Monitoring and Extensive Delays in the Overall CityFHEPS Process**

### **Protracted Delays in Securing Permanent Housing**

According to data from DSS, between July 1, 2019 and May 14, 2023, Shopping Letters were issued to 50,584 households, of which 10,529 households (approximately 21%) were approved for CityFHEPS. We reviewed a judgmental sample of 52 cases from these 10,529 households to assess how long the approval process took.

For our sample of 52 cases, an average of 292 days—almost 10 months—had elapsed from issuance of their first Shopping Letter and approval for CityFHEPS and

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subsequent exiting of the shelter into permanent housing. In one case, a household had to wait more than 3 years after receiving the first Shopping Letter before being approved for the program.

In response, DSS officials stated that the Rules do not specify a maximum amount of time households can stay in a shelter after a Shopping Letter is received. Nevertheless, given that DSS' goal is the coordination and provision of support services to help individuals and families who are homeless exit shelters as quickly as possible, it is DSS' responsibility under Directive One: Principles of Internal Control, to establish appropriate operational controls that will ensure the process is streamlined and efficient. Additionally, we found no evidence that DSS routinely monitors CARES to track the status of shelter residents, nor that it takes steps to conduct risk assessments and identify where bottlenecks might be occurring in the process so that action can be taken to mitigate them and minimize unnecessary delays and lengthy shelter stays.

We also noted that once a Shopping Letter is issued, a household is left on their own to seek out prospective landlords who would accept CityFHEPS. This hands-off approach is exacerbated by the fact that the Shopping Letter typically expires in 120 days. If the household is unable to find housing before the expiration date, the Shopping Letter will need to be re-issued.

DSS officials attributed lengthy shelter stays to factors such as household size and their location preference as well as the limited number of vacant housing units available. While we acknowledge these are contributing factors, as discussed later in this report, lengthy shelter stays directly relate to other deficiencies in DSS oversight that, if addressed, could further minimize delays in households securing permanent housing.

## Delays in Issuing Shopping Letters

Once households are determined to have met all CityFHEPS requirements, they are issued a Shopping Letter, which typically expires in 120 days. For households who are unable to find housing within that time frame, the Shopping Letter may be re-issued. According to DSS officials, for shelter residents, Shopping Letters are automatically generated based on CARES's daily match of potentially eligible shelter residents using information, including Cash Assistance (CA) status, in WMS. However, officials noted that a Shopping Letter will not be renewed if a client's employment circumstances or household composition changed, or their CA case was closed; in that case, the client's eligibility will need to be re-verified.

To determine the timeliness of Shopping Letter issuance, we reviewed issuance dates in CARES for our sample of 52 cases. Our review identified numerous examples of protracted delays in the issuance of Shopping Letters, resulting in longer shelter stays. For example:

- One household was issued three successive Shopping Letters: the first was issued 45 days after their CA case was opened. With each expiration

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thereafter, it took 29 days and 10 days, respectively, for the Shopping Letter to be issued. During the entire course, the household's CA status remained open and there were no changes to the household's size or income. These delays in the issuance of Shopping Letters are contrary to the assertion of DSS officials that Shopping Letters are generated automatically based on having an active CA status.

- For two other households, it took 133 days and 80 days, respectively, after their CA case was opened before their Shopping Letters were issued.

DSS officials responded that the Rules do not state that another Shopping Letter must be generated prior to the expiration of the current Shopping Letter; only that households who meet eligibility criteria receive a Shopping Letter.

We note that, for shelter residents, the initial steps in the Shopping Letter procedure are largely automated: CARES generates Shopping Letters based on its daily matching of data with another integrated system (WMS). Thereafter, the steps are manual in nature: Shopping Letters are transmitted via a shared network drive to shelter providers, which then issue the letters to the shelter residents. The issuance time frames, not to mention the widely varying range (from 10 to 133 days), that we identified above are striking given the simplicity of this portion of the CityFHEPS application process. However, DSS has not issued guidance to control for efficiency at this stage, nor does it take any steps to monitor the timeliness of Shopping Letter issuance or to investigate where inefficiencies may be occurring to mitigate unnecessary delay.

## Delayed Subsidy Payments and Subsidy Overpayments

According to DSS Policy Bulletin 2021-009, CityFHEPS rental assistance payments are deemed timely if HRA issues them by the end of the month.

To determine whether CityFHEPS rental assistance payments were issued timely, we requested payment records, including check images, for the sampled 52 cases. However, DSS officials advised us that there were more than 2,000 physical checks issued over the audit scope period for the sampled cases and that it would be time-intensive to provide them to us. Consequently, DSS provided only 206 checks for 12 of the 52 cases. We reviewed the available payment information and determined that DSS did not make timely rental assistance payments in seven instances. Specifically, a December rental assistance payment was issued in April, and rental assistance payments for May through October were issued in November. In another case, DSS continued issuing rental assistance payments to the landlord for 2 months after the tenant moved from the housing unit back to the shelter. According to DSS, the landlord did not immediately notify the agency that the tenant had moved out, which resulted in an overpayment of \$1,170. However, given that the tenant re-entered a DSS shelter, and this was recorded in the CARES system, it should have been evident that the tenant was no longer in an apartment that was being paid for with CityFHEPS funds. DSS officials did not provide evidence to show that they attempted to recoup the overpayment.

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## Ineligible Disbursements of Unit Hold Incentives

According to Policy Bulletin 2021-009, a landlord who agrees to hold an eligible unit while the CityFHEPS application is being processed by HRA may receive a Unit Hold Incentive of 1 month's rent. Further, as told to us by DSS officials, Augmented CityFHEPS cases are not eligible for the incentive because HPD sets the rent of those units at fair-market levels. To be considered for the Unit Hold Incentive, a landlord (or their authorized agent) would complete and sign form HRA-145, certifying that the landlord owns or manages the unit, that the unit is currently vacant, and that the landlord agrees to not lease the unit to another party while the application is being processed. After the approval of the CityFHEPS application, DSS staff prepare the CityFHEPS check request form, which discloses the amount of the landlord's initial rent check, including the Unit Hold Incentive.

We asked DSS to provide us with all Augmented CityFHEPS cases as well as all CityFHEPS cases that received a Unit Hold Incentive. According to the data provided, from January 2019 to March 2024, the agency paid out approximately \$45 million in Unit Hold Incentives to approximately 24,000 CityFHEPS landlords. We also found that 916 Augmented CityFHEPS cases received Unit Hold Incentives totaling \$1.7 million, despite their ineligibility. DSS officials responded that shelter providers were utilizing a shared code and, therefore, the incorrect exit reason may have been used, and stated that they are currently reconciling data and that inappropriate incentive payments will be recouped. However, DSS officials did not provide any evidence supporting this assertion.

For 23 of our sampled cases, the landlords received a Unit Hold Incentive, with amounts totaling approximately \$41,000. For these cases, we found the following:

- In 16 cases, accounting for approximately \$31,000 in Unit Hold Incentives, DSS officials could not provide evidence that form HRA-145 was completed, as required. They stated that 15 cases were digitally processed in the HOME system—an online system used by providers to submit rental packets before DSS' new landlord management system, CurRent, came into use in January 2022—and did not require the HRA-145 form. DSS subsequently issued a revised policy (Policy Bulletin 2023-012) during our fieldwork to state that the Unit Hold Incentive form (HRA-145) is not required when the CityFHEPS packets are submitted via the HOME system.
- In one case, a landlord for an Augmented CityFHEPS unit received a Unit Hold Incentive of \$2,467. DSS officials agreed that the unit was ineligible for the incentive and stated that the funds recoupment process will be initiated to have the funds returned. However, they have not provided any supporting documentation that the recoupment process was initiated.

DSS does not have a process to verify that Unit Hold Incentives are only paid to eligible landlords, thereby ensuring that ineligible landlords, such as Augmented CityFHEPS landlords, are excluded. Without such a safeguard in place, there is no assurance that only eligible landlords are benefiting from the incentives.

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## Rent Payments in Excess of CityFHEPS Maximum Rent

The NYC Department of Housing Preservation & Development (HPD) and the NYC Housing Development Corporation (HDC) provide affordable housing by allocating a certain number of units in apartment buildings for households who reside in shelters and meet certain income requirements. Typically, these units are subject to a regulatory agreement or a similar instrument between HPD or HDC and the property owners, and the established rent may exceed the maximum allowed CityFHEPS subsidy. In such cases, the Rules allow HRA to pay the property owners above the maximum allowed CityFHEPS rent. DSS refers to such cases as Augmented CityFHEPS.

According to data from DSS, there were 4,441 Augmented CityFHEPS cases between February 2020 and September 2023.

## Lack of Transparency Over the Augmented CityFHEPS Process

For 21 of our sampled cases, HRA approved rents that exceeded the maximum monthly rent. DSS officials informed us that the households who received Augmented CityFHEPS are selected through NYC Housing Connect or referred through a coordinated process between DSS and HPD. To get a better understanding of the process, we met with HPD officials, who informed us that, in order for households to be selected for a unit to which Augmented CityFHEPS can be applied, the household must first complete a HPD Homeless Housing Application at DHS. The Homeless Housing Application is then transmitted to HPD, where the household is subsequently matched on a first come, first served basis, based on factors such as household size and location preference.

However, when we asked DSS officials to provide us with guidelines governing Augmented CityFHEPS, we were informed that DSS has not published any such policies, and we were instead provided with documents that outlined the process for households to apply for lottery units through NYC Housing Connect as well as an FAQ document regarding Augmented CityFHEPS.

Notably, in one case, we found an approval notice that indicated that a single-person household was approved to move into a two-bedroom apartment. The apartment building had amenities that included a fitness club, game room, resident lounge, and community boat house. The building was subject to a regulatory agreement that required the owner to lease no fewer than 114 units to tenants referred by DHS, HPD, or an alternate referral source acceptable to HPD and HDC. DSS processed this case as a two-person household; however, we found that one of the two members of the household was not eligible for CityFHEPS.

As a result of DSS not having sufficient written procedures for Augmented CityFHEPS, and the lack of communication between DSS and HPD regarding the

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client selection and eligibility for Augmented CityFHEPS, we have no assurance DSS matches households to proper units.

## Unsupported CityFHEPS Subsidy Calculation

According to the Rules, the monthly CityFHEPS rental assistance amount will equal the actual monthly rent for the CityFHEPS unit, up to the maximum monthly rent set by HRA. If the tenant is responsible for paying any of the utilities, a utility allowance is to be deducted from the maximum monthly rent. The utility allowance is determined based on the typical cost of utilities and services paid by households for comparable housing. The utility allowance is set by HRA at the standard adopted by the New York City Housing Authority.

For example, if the rent is listed as \$2,000 per month and the tenant is responsible for paying \$30 for cooking gas, the maximum rent that CityFHEPS payments can be applied to cannot exceed \$1,970.

According to DSS Policy 2021-009, landlords are required to provide utility information for DSS to determine the correct utility allowance to deduct from the maximum payment standard. On August 24, 2021, DSS began using the Landlord Utility Information form to assist with identifying which utilities landlords would be responsible for paying and calculating the utility allowance—a procedural control that would ensure households are being charged the correct rent amount.

Of our sample of 52 cases, four were approved for Augmented CityFHEPS after August 24, 2021 and should have had a Landlord Utility Information form documenting the utility allowance calculation. However, DSS officials could not provide the forms or identify the utility allowance that each household was entitled to. DSS officials responded that the Landlord Utility Information form was not required for the four cases because landlords of Augmented CityFHEPS units are responsible for covering all utility expenses. However, neither the information that DSS subsequently provided to us regarding this policy nor the information that we received from a landlord supported this assertion.

Despite establishing the Landlord Utility Information form as a way to ensure households are being fairly charged, DSS does not provide adequate oversight to ensure staff are using it. Lacking this information, there is no assurance that the subsidy was calculated correctly, and disadvantaged households could be paying for utilities that their landlords are responsible for.

## Lack of Oversight of CityFHEPS Subchapter B Units

In 2021, HPD provided a loan of \$122.6 million to Neighborhood Renewal Housing Development Fund Corporation (Neighborhood Renewal), a not-for-profit organization, to acquire 14 buildings in the Bronx. In turn, Neighborhood Renewal entered into Management and Pre-Development Agreements (MPAs) with four



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developers designated by HPD to operate, manage, develop, and eventually take ownership of the properties. According to the MPAs, certain units in the acquired properties should be leased to CityFHEPS recipients.

Also in 2021, DSS entered into human service contracts, referred to as Master Lease Agreements (Agreements) with the four developers and/or their affiliates—specifically, Bowery Residents’ Committee (BRC), M.B.D. Community Corporation (MBD), Concourse House, and Settlement Housing Fund (SHF) (contractors)—to provide permanent housing and a range of supportive social services, such as referrals for employment-related services, food pantry resources, medical, and mental health or substance use counseling services, to the tenants. The Agreements are worth nearly \$447 million over 30 years. According to the Agreements, DSS will also make monthly rent payments to the contractors for CityFHEPS units as long as the units are made available to eligible clients referred by DHS.

We found DSS has not provided adequate oversight of Subchapter B contractors to ensure that units are managed efficiently and effectively and made available to eligible clients referred by DHS, that rental payments are appropriate, and that units meet safety and habitability standards.

### Vacant Subchapter B Units

To determine if the contractors provided the 567 units for use by CityFHEPS households, we reviewed the respective properties’ rent rolls for calendar year 2023. We found that, as of December 2023, 116 of the 567 units (approximately 20%) designated for CityFHEPS tenants remained vacant (see table below).

**Vacant Units, by Contractor, as of December 2023**

Contractor	Number of Units Required per Contract	Units Occupied	Units Vacant
BRC	151	104	47
MBD	152	132	20
Concourse House	128	100	28
SHF	136	115	21
<b>Totals</b>	<b>567</b>	<b>451</b>	<b>116</b>

DSS officials and the contractors we met with informed us that the vacant units are uninhabitable. However, DSS has not conducted in-person inspections to independently verify this information.

In response to our finding, DSS officials stated the MPAs are between Neighborhood Renewal and the four contractors, and Neighborhood Renewal is responsible for managing the properties and ensuring that the renovations are made. Additionally, they stated that the contracts are overseen by HPD, and that there was no need to conduct habitability assessments because the units were known to be uninhabitable from the outset and maintaining vacant units in advance of major rehabilitation is standard practice.

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DSS' assertions notwithstanding, given DSS' substantial investment in the contractors to provide not only units but also services for tenants, that DSS does not feel a responsibility as the steward of these funds to obtain firsthand knowledge is concerning. More attentive oversight, including in-person inspections, would inform DSS of the current condition of the units, would enable DSS to monitor contractors' progress in renovating them and to have some assurance of the time frame for occupancy, and help DSS plan for when applicants will be able to leave shelters and take advantage of the supportive social services available to them.

## Payments for Vacant Subchapter B Units

According to the Agreements, contractors receive two payments per month: one for CityFHEPS rent and the other for contracted services. The contractors are paid rent for CityFHEPS units as long as the units are made available to eligible clients referred by DHS. At the start of each year, contractors submit to DSS a monthly rent payment schedule for CityFHEPS units. If a unit becomes vacant, the contractor will continue to receive the rent payment, provided that efforts are made to fill the vacancy within 30 days of the tenant's departure. If the unit is not filled within the 30-day period, the contractor is required to send a vacancy extension request to DSS, which can approve or deny the extension request.

To determine whether DSS paid contractors for Subchapter B units according to the Agreements, we reviewed supporting records, including rent rolls and rent payments for calendar year 2023. We also requested that DSS provide contractors' annual payment schedules and vacancy extension requests, but DSS did not give us this information. Based on the information available to us, for calendar year 2023, DSS paid \$5.1 million in CityFHEPS rent payments to the four contractors for the 451 units occupied by CityFHEPS clients as of December 2023.

During this period, two households moved out of their units. For these units, DSS continued to pay rent to the contractor beyond the 30-day time frame—for 1 and 8 months, respectively—with payments totaling \$8,944. For these cases, DSS could not provide records showing that the contractor submitted vacancy extension requests and made efforts to fill the vacancy within 30 days of the tenant's departure, and that DSS approved these vacancy extension requests. Therefore, we could not ascertain whether the \$8,944 in CityFHEPS rent payments for the vacant units were warranted.

For these two cases, DSS officials agreed that payments were made for vacant units and stated they will follow up with the contractors to address any discrepancies and make necessary adjustments.

We also found a third case where, according to the rent roll, the household moved out of the unit on February 7, 2023, but the unit remained on the rent roll until October 2023, and we found that the contractor continued to bill DSS for the CityFHEPS subsidy amount for this household. The rent billed for this household totaled \$4,005.

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DSS does not provide oversight of the Agreements related to Subchapter B and lacks proper controls, including maintaining documentation of payments, to ensure contractors are complying with Agreement requirements and that CityFHEPS rental payments to contractors are appropriate.

## Delayed Renovations

According to the MPAs, the developers were to secure and close on construction loans to finance the rehabilitation of the 14 Subchapter B buildings within 2 years, or by June 2023. In addition, the developers were to have approved plans, specifications, and building permits for the rehabilitation by the deadline of achievement outlined in Neighborhood Renewal's Management and Pre-Development Handbook (Handbook), which was given to the developers. As described in the MPAs, the Handbook outlines the duties and the timeline for when each task must be performed and completed.

Given that the information in the Handbook was essential to this component of our audit, we requested Neighborhood Renewal provide us with a copy. Neighborhood Renewal did not comply with this request and instead sent a copy of its 2018 Third-Party Transfer Handbook. Alternatively, to obtain the needed information, we provided Neighborhood Renewal with a list of questions covering duties and task timelines and also scheduled a meeting with Neighborhood Renewal, but officials subsequently canceled the meeting. Instead, DSS requested a meeting with us, where they voiced their concerns about our questions posed to Neighborhood Renewal. Specifically, DSS officials claimed that because the Subchapter B properties are managed under HPD contracts, our request was outside of the scope of the audit. We disagree. The MPAs state that certain units within the properties will be permanent housing occupied by and leased to individuals and families who have been determined by HRA to be eligible to receive a CityFHEPS subsidy in connection with exiting the City's shelter system. As such, we believe our questions to developers who manage properties designated for CityFHEPS recipients are relevant and within the scope of the audit.

To date, none of the developers have obtained construction loans or developed a timeline for capital improvements and rehabilitation work, as required by the contract. Both Neighborhood Renewal and the contractors we met with advised us that rehabilitation work had not begun at any of the sites.

In a written response, DSS officials disagreed with our finding and stated that the MPAs, including the Handbook and the agreements, are between Neighborhood Renewal and HPD. They further stated that the agreements are not applicable to DSS' CityFHEPS program and, therefore, the findings do not apply. They also stated that DSS is not a signatory or the enforcer of the contract as it is solely an ancillary party, that the Handbook is not applicable to the CityFHEPS subsidy and is not a guide that was issued by DSS, and that, per Chapter 8 of Title 28 of the Rules, there is an undefined set of time to complete repairs to the buildings.

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We disagree with the views of DSS officials and note that the Agreements signed by DSS state that the “MPA or Master Lease between Contractor and Owner/Landlord must be reviewed and approved by [DHS] prior to execution of the contract.”

Therefore, DSS has a role in these Agreements.

Because developers have not secured the construction loans and started rehabilitation work, Subchapter B units that need capital improvements may not be available to CityFHEPS clients. Moreover, because the contractors have not established the required timeline, it is unclear when the units will be available to CityFHEPS recipients.

## Poor Physical Condition of Buildings

As the Rules outline, each Subchapter B unit must pass a safety and habitability assessment performed by DSS or another public agency approved by DSS prior to CityFHEPS tenants moving in.

To determine if CityFHEPS households were placed in safe and habitable housing units, we reviewed building information data found on HPD Online, a website that documents information such as complaints and violations. We also visited Subchapter B sites and interviewed officials from their respective property development and management organizations. During a visit, we observed several vacant apartments that needed extensive renovations (see Exhibit B for conditions in one of the apartments).

Our review found that, as of March 12, 2024, units in Subchapter B buildings had a total of 5,374 open violations,<sup>2</sup> including 1,396 Class C (immediately hazardous) violations. Some examples of open Class C violations include self-closing fire doors that were missing or defective, mouse/rat infestations, roach infestations, visible mold greater than 30 square feet, and peeling lead paint. For instance, a Class C violation for peeling lead paint has been outstanding since October 2022. Further, in one case, DSS placed a CityFHEPS household in a Subchapter B unit that had 65 open violations, including 24 Class C violations.

We found that DSS or a DSS-approved agency did not conduct physical inspections to confirm the safety and habitability of Subchapter B units. According to DSS officials, HPD is the primary agency responsible for enforcing the standards relating to the physical condition, including but not limited to all relevant building codes, rules, regulations, and policies. While we acknowledge that HPD has enforcement authority over housing codes, rules, and regulations, DSS cannot ensure that households

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<sup>2</sup> Class A violations must be corrected within 90 days. Examples include: no peephole in the entrance door of the dwelling unit; unlawfully keeping of pigeons, chickens; improper seat for a water closet; and no street number on the front of the dwelling. Class B violations must be corrected within 30 days. Examples include: inadequate lighting facilities for public halls and stairs, owner has not provided an approved smoke detector in dwelling unit, unlawful bars or gates on windows opening to fire escape. Class C violations must be corrected within 21 days. Examples include: inadequate supply of heat and hot water, rodents, peeling lead paint in dwellings where a child under 7 resides, broken or defective plumbing fixtures, defective plaster, defective faucets.

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receiving CityFHEPS are placed in safe housing without conducting independent safety and habitability assessments.

DSS officials also stated that CityFHEPS does not require inspections for habitability when the households remain in a unit, and the households currently residing in these Subchapter B units were already living there when the Subchapter B designation was made. While we acknowledge that the Rules do not require inspections when households remain in a unit, not performing inspections is counter to DHS' mission of helping individuals and families to transition from shelter into permanent housing. Furthermore, according to data from the rent rolls, DSS placed at least 51 households into Subchapter B units during the period July 1, 2021 to September 1, 2023 and officials did not provide any evidence that safety and habitability assessments were conducted at the time, as required by the Rules.

Because DSS has not conducted safety and habitability assessments or regular inspections of Subchapter B units, tenants can continue to live in hazardous conditions for years.

## Recommendations

1. Implement a system that appropriately monitors clients' eligibility for CityFHEPS and ensure that Shopping Letters are issued and renewed in a timely manner.
2. Routinely monitor client case management records in DHS' CARES for potential errors and update/correct accordingly.
3. Update Policy Bulletins in a timely manner to reflect changes in CityFHEPS policies and procedures.
4. Establish a process to assist eligible clients in their search to find permanent housing upon issuance of the Shopping Letter.
5. Establish proper internal controls over CityFHEPS payments to landlords, including monitoring of incentives, and recoup any overpayments or improper payments, as warranted.
6. Develop and implement policies and procedures with regards to the administration of Augmented CityFHEPS.
7. Improve controls related to Subchapter B units, including but not limited to:
  - Establishing proper policies and procedures related to the administration of Subchapter B units.
  - Monitoring monthly rent payments to ensure that DSS is only paying for units that are occupied by CityFHEPS clients.
  - Performing regular physical inspections of units to ensure their habitability for CityFHEPS clients. Coordinate this effort with HPD if necessary.
  - Ensuring that contractors offer vacant units to eligible CityFHEPS clients as required by Agreements.

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8. Coordinate efforts with HPD to ensure that Subchapter B unit rehabilitations are completed in accordance with Management and Pre-Development Agreements and in a timely manner.

# Audit Scope, Objective, and Methodology

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The objective of our audit was to determine whether DSS is administering the CityFHEPS program according to the rules and regulations, thereby assisting DHS shelter residents in securing permanent housing. The audit covered the period from July 2019 through December 2023.

To accomplish our objective and assess related internal controls, we interviewed DSS officials, HPD officials, owners, developers, contractors, officials at property management companies, and CityFHEPS recipients. We also visited Subchapter B properties, observed units, and reviewed case documentation. We reviewed relevant laws, DSS policies and procedures, and contracts relevant to the administration of CityFHEPS.

We used a non-statistical sampling approach to provide conclusions on our audit objectives and to test internal controls and compliance. We selected judgmental samples. However, because we used a non-statistical sampling approach for our tests, we cannot project the results to the respective populations. Our samples, which are discussed in detail in the body of our report, as a single sample, include:

- A judgmental sample of 35 out of 6,245 households who exited CityFHEPS during 2022, selected to ensure five households from each of the seven types of households, to verify household and landlord eligibility and payment calculations and information.
- A judgmental sample of 22 out of 4,551 households who exited from Augmented CityFHEPS between July 2019 and August 2023, based on risk factors such as review (or lack of one), missing Social Security numbers, and when the household exited, to verify household and landlord eligibility and payment calculations and information.

During the course of our audit work, we found that five of the 57 households had not exited CityFHEPS, which reduced our samples to 32 and 20, respectively, for a total of 52 households discussed in the body of the report.

We obtained data from CARES and CurRent but were only able to test the accuracy of that data. As it was the only data available to us about CityFHEPS, we used it to draw samples and then corroborated the data in CARES and CurRent against other records about households participating in CityFHEPS, as documented in our report.

# Statutory Requirements

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## Authority

The audit was performed pursuant to the State Comptroller's authority as set forth in Article V, Section 1 of the State Constitution and Article III of the General Municipal Law.

We conducted our performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objective. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective.

As is our practice, we notify agency officials at the outset of each audit that we will be requesting a representation letter in which agency management provides assurances, to the best of their knowledge, concerning the relevance, accuracy, and competence of the evidence provided to the auditors during the course of the audit. The representation letter is intended to confirm oral representations made to the auditors and to reduce the likelihood of misunderstandings. Agency officials normally use the representation letter to assert that, to the best of their knowledge, all relevant financial and programmatic records and related data have been provided to the auditors. They affirm either that the agency has complied with all laws, rules, and regulations applicable to its operations that would have a significant effect on the operating practices being audited, or that any exceptions have been disclosed to the auditors. However, officials at the New York City Mayor's Office of Operations have informed us that, as a matter of policy, mayoral agency officials do not provide representation letters in connection with our audits. As a result, we lack assurance from agency officials that all relevant information was provided to us during the audit.

## Reporting Requirements

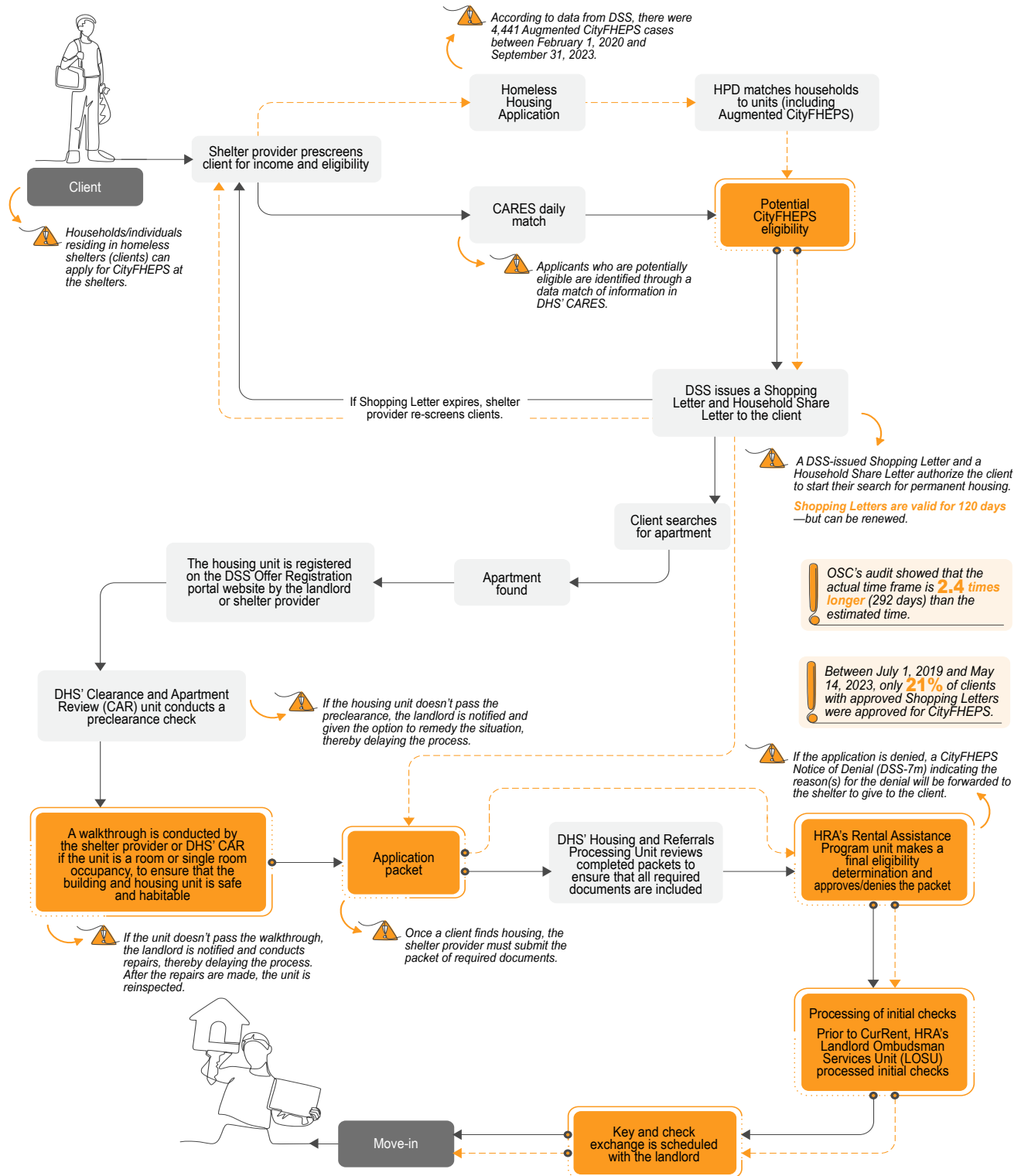
We provided a draft copy of this report to DSS officials for their review and formal comment. Their comments were considered in preparing this final report and are attached in their entirety at the end of it. In their response, DSS officials disagreed with most of the report's recommendations but agreed or partially agreed with others, and indicated actions they have taken or will take to implement them. Our responses to certain DSS remarks are embedded within DSS' response as State Comptroller's Comments.

Within 180 days after final release of this report, we request that the Commissioner of the New York City Department of Social Services report to the State Comptroller, advising what steps were taken to implement the recommendations contained herein, and where recommendations were not implemented, the reasons why.



# Exhibit A

## CityFHEPS Application Process for DHS Shelter Residents



# Exhibit B

## Condition of a Vacant Subchapter B Apartment Walton Avenue, Bronx, New York City



# Agency Comments and State Comptroller's Comments

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**Department of  
Social Services**

Human Resources  
Administration

Department of  
Homeless Services

W-2-548  
Rev. 05/23

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October 11, 2024

Mr. Kenrick Sifontes  
NYS Office of the State Comptroller  
59 Maiden Lane, 21st Floor  
New York, NY 10038

**Re: Agency Response to the Draft Audit Report of the NYC Department of Social Services Administration of the CityFHEPS Program for Department of Homeless Services Shelter Residents (2023-N-1)**

Dear Mr. Sifontes,

This letter is in response to the Draft Report of the Office of the State Comptroller's (OSC) Audit of the Department of Social Services (DSS) Administration of the CityFHEPS Program for the Department of Homeless Services (DHS) Shelter Residents (2023-N-1).

We appreciate OSC's interest in our Agency's critical work. The Report presents useful information about the CityFHEPS program. However, it also contains multiple inaccuracies and misstatements regarding DSS' administration of the CityFHEPS program, despite DSS making itself available for many meetings and interviews, and all of the documents that DSS shared with the auditors. We elaborate on this point in the specific recommendation responses below.

**State Comptroller's Comment** – Our audit report does not contain inaccuracies and misstatements regarding DSS' administration of the CityFHEPS program. The audit was conducted in accordance with generally accepted government auditing standards (GAGAS), and our findings and conclusions were based on the evidence made available by DSS officials or the lack thereof.

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Although the Report mentions the current New York City vacancy rate of 1.4% as the lowest since 1968, it fails to consider its impact on the challenges in obtaining affordable housing. This real-world fact contributes to the tremendous difficulty and complexity of this work.

DSS would also like to contest OSC's statement on page 8 of the Report, where OSC alleges that "DSS officials deflected *"responsibility to other entities, and minimized the finding"*, as related to the issuance of the Shopping Letters, reliability of CARES data, oversight of rent payments, and Subchapter B apartments. In addition to being factually inaccurate, this statement demonstrates OSC's lack of understanding of the CityFHEPS rental subsidy process and the overall affordable housing situation in New York City.

**State Comptroller's Comment** – We made certain changes on page 8 of our report to improve clarity; however, the overall substance of our statement remains the same. We did not misunderstand the CityFHEPS process. During the audit, DSS provided written responses that repeatedly deflected responsibilities to other entities rather than acknowledging its role in the program, stating, for instance, that HPD had oversight responsibility of Subchapter B contracts and that Neighborhood Renewal was responsible for managing properties and ensuring renovations are made. Additionally, despite auditors finding exits incorrectly coded in 21% of the cases we reviewed, DSS minimized the finding, describing having a fifth of their reviewed cases coded incorrectly as "a handful of cases." Additionally, DSS, despite being responsible for oversight of the program, took no responsibility for these errors, stating that the shelter providers were responsible for the data entry. These are examples of DSS minimizing our findings and shifting responsibilities to other parties despite being the entity responsible for administering the CityFHEPS program.

We have addressed in detail the findings related to the issuance of the Shopping Letters, reliability of CARES data and the oversight of rent payments below and in the enclosed Corrective Action Plan (CAP), in addition to the many meetings with OSC. As to the Subchapter B apartments, the Agency's primary goal is to use project based CityFHEPS to expand the supply of affordable housing. This can be done in two ways. First, the contracts can be used to support acquisition of move-in ready buildings that would otherwise be market rate housing. Alternatively, the contract can help to support the financing package for substantial rehabilitation in conjunction with the Housing Preservation & Development (HPD). In these cases, Subchapter B contracts help to expand the City's portfolio of affordable housing by making a construction loan closing financially viable, so the buildings for existing and future residents exiting from shelter to permanency represent high quality affordable housing. The necessary rehabilitation would not be possible without the project-based rent structure. As such, DSS will be amending and restating contracts to facilitate calendar years 2024 and 2025 loan closings led by HPD. This work is actively underway, but OSC's Report not only understates the significant effort and time it takes to get deeply distressed occupied buildings to a construction loan closing but also fails to understand each Agency's role in the process. We were never deflecting our responsibilities, rather we have explained each Agency's role in the process to the auditors on numerous occasions. To indicate

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that we deflected our responsibilities is frankly insulting to the very hard work being done to expand the vacancy rate as it relates to affordable housing.

**State Comptroller's Comment** – We did not understate the significant effort and time it takes to get deeply distressed occupied buildings to a construction loan closing, nor did we misunderstand each agency's role in the process. Given the City's significant financial investment in Subchapter B units and the ongoing affordable housing shortage, it is essential that DSS improve controls over Subchapter B units, as recommended in our report. Further, according to the MPA, contractors were supposed to secure loans to finance the rehabilitation work of the 14 Subchapter B buildings within 2 years, or by June 2023. It is concerning that the City provided a \$122.6 million loan for the acquisition of the properties in 2021, and DSS entered into agreements worth nearly \$447 million with the developers and/or their affiliates that same year, and yet, as of the end of our fieldwork, there were still no timelines for when rehabilitation work would be completed and units made available to CityFHEPS clients.

Additionally, despite our multiple efforts to explain to OSC that these buildings were acquired in an already-poor condition and were awaiting renovations, OSC included photographs of these apartments on page 25 of their Report. Adding photos of the *vacant* apartments that we are currently working with HPD to renovate is inflammatory and can easily misinform the public. To that end, we request that these photographs be stricken from the Final Report, as they are misleading and paint an inaccurate picture.

**State Comptroller's Comment** – Exhibit B, clearly labeled as “Condition of a Vacant Subchapter B Apartment,” accurately depicts the condition of a vacant Subchapter B unit. Our report does not state or imply that this unit, in its current condition, will be occupied by a CityFHEPS client.

As such, DSS disagrees with five of eight of the recommendations from OSC, as is explained in detail below as well as in the enclosed CAP.

**State Comptroller's Comment** – We encourage DSS to more carefully review our recommendations, as they are intended to strengthen and improve processes and internal controls related to a very critical and costly subsidy program.

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**Recommendation 1:**

*Implement a system that appropriately monitors clients' eligibility for CityFHEPS and ensure that Shopping Letters are issued and renewed in a timely manner.*

As DSS explained to OSC on several occasions, the generation and renewal of CityFHEPS Shopping Letters is generally automated based on each client's individual Cash Assistance (CA) benefits eligibility status recorded in the Office of Temporary and Disability Assistance (OTDA) Welfare Management System (WMS) and the DHS Client Assistance and Rehousing Enterprise System (CARES). When clients remain in eligible status, the Shopping Letter is regenerated automatically fifteen days prior to expiration of the current Shopping Letter. For those whose circumstances have changed, the timing of the Shopping Letter generation depends on each individual's circumstances, as one resident's CA case may be closed while another's may be active. When a Shopping Letter does not renew, that is typically an indication that the household is not currently eligible. Additionally, DHS staff can issue manual Shopping Letters should the need arise.

**State Comptroller's Comment** – As noted on pages 11 and 12 of our report, and contrary to DSS' assertions, we found instances where households had active CA cases with no change in their circumstances, and a Shopping Letter was not issued or renewed. Therefore, we stress the importance of monitoring clients' eligibility and ensuring that Shopping Letters are issued and renewed in a timely manner.

**Recommendation 3:**

*Update Policy Bulletins in a timely manner to reflect changes in CityFHEPS policies and procedures.*

As OSC stated on page 6 of the Report, "since the inception in 2018 through January 2024, CityFHEPS... helped 87,588 individuals to secure permanent housing." Given the Agency's critical assistance to tens of thousands of people with limited resources, and the ever-evolving improvements in the process for the past six years, there may be delays between implementing a policy change and the recording of it in staff guidance documents. Additionally, as some policy changes may result in changes within systems, at times the guidance for staff must follow the roll-out schedule of the impacted systems.

**State Comptroller's Comment** – It is good internal controls to establish guidance before implementing programs that are funded with taxpayer dollars. As noted in our report, while DSS officials told us that landlords of Augmented CityFHEPS cases are not eligible for Unit Hold Incentives, the 2021 Policy Bulletin related to the administration of the CityFHEPS program does not include this guidance and does not have a process for verifying that Unit Hold Incentives are paid only to eligible

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landlords. A lack of timely policies and procedures can lead to issues similar to the one highlighted in our report, where, according to the data, 916 Augmented CityFHEPS cases inappropriately received Unit Hold Incentives. We reiterate the importance of timely updating Policy Bulletins when DSS changes CityFHEPS policies and procedures so staff know how to properly execute important functions.

**Recommendation 4:**

*Establish a process to assist eligible clients in their search to find permanent housing upon issuance of the shopping letter.*

DHS assists clients in their search to find permanent housing from day one. OSC's recommendation demonstrates further lack of understanding of this process. DSS/DHS already assists clients in their search for permanent housing. This begins at the point of shelter entry, which depending on household circumstances may be well before the issuance of the Shopping Letter and this assistance continues until the move-out from shelter occurs. This assistance involves general case management services, providing clients with the necessary tools to ensure employment can be obtained (so that clients are able to maintain permanent housing after exiting shelter), meetings with housing specialists and other social services available through our Agency and non-profit shelter providers. The primary task of our shelter housing specialists – fully funded through the DHS contracts – is to find apartment leads. Additionally, the Agency actively searches for available housing units in the private market via the DHS apartment search team and the Public Engagement Unit. These apartments are made available to all shelter providers on behalf of clients through the HOME Program.

**State Comptroller's Comment** – DSS provided no evidence that the agency actively supports clients in their search for permanent housing once the Shopping Letter has been issued. In fact, DSS' Policy Bulletin and the Shopping Letters issued to clients state that it is the clients' responsibility to look for and find housing. Additionally, the shelter provider we visited informed us that, while they recommend brokers, it is incumbent on the client to search for apartments. While we recognize the current shortage of affordable rental units, we emphasize that DSS' support is imperative. Despite our numerous meetings with DSS officials, there was no mention of the DHS apartment search team and the Public Engagement Unit during the audit or in response to our preliminary reports.

Further, the Agency provides regular and ongoing training to, and shares best practices with, our shelter providers to ensure they are fully equipped to move clients through this process expeditiously.

We again remind OSC that this housing search and the services provided, as outlined previously, occur within the broader context of the NYC rental market which currently has a rental vacancy rate of 1.4%, and is considerably lower than 1.4% for affordable rental units. For example, for households searching for units under \$1,100, the vacancy rate was only 0.39%. While this vacancy rate creates a real hardship in finding affordable housing, DSS still continues to move out record numbers of clients.

As an added note, shelter exit plans are tailored to client circumstances and choice

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(recognizing that this choice may include several factors for consideration, such as schools that children are attending or medical facilities that are tied to the client or family). There is no one-size-fits-all solution for housing; circumstances and choice must be considered.

**State Comptroller's Comment** – We recognize there is no one-size-fits-all approach or solution and our report does not make that suggestion. We encourage DSS to provide appropriate support to clients—through their shelter providers or other appropriate DSS units—when Shopping Letters are issued in order to assist clients in finding apartments and moving out of shelters sooner.

Overall, DSS has increased permanent housing placements from DHS shelter by more than 20% year over year, which is evidence of the success of the processes in place to assist clients in their housing search despite market conditions.

**Recommendation 7:**

*Improve controls related to Subchapter B units (refer to OSC's Report for details).*

**Agency Response:**

The intent of the Subchapter B projects is misstated in the Report. DSS *purposely* worked to expand the vacancy rate for affordable housing by working with HPD to ensure dilapidated apartments are renovated and we can move more clients from shelter to permanent housing.

The Subchapter B buildings were last used for scatter-site DHS shelter units and were not suitable for long-term affordable housing unless they were provided with additional funding for extensive repairs. DSS is proud of our work through CityFHEPS to partner with HPD and the non-profit developers who are seeking financing for *substantial rehabilitation* of these units. Part of this process requires temporary tenant relocation to perform construction work. There are tenants linked to a vast majority of the units, but some tenants have been temporarily relocated to make the necessary rehabilitation work possible. Without a project-based rent contract, the not-for-profit developers cannot leverage sufficient private debt to make these rehabilitation projects viable, and the buildings will continue to languish in disrepair.

**State Comptroller's Comment** – Our report does not discuss or misstate the intent of the agreements related to Subchapter B units. It merely states services the contracted entities must provide in accordance with the agreements.

**Recommendation 8:**

*Coordinate efforts with HPD to ensure that Subchapter B unit rehabilitations are completed in accordance with Management and Pre-Development Agreements and in a timely manner.*

As DSS mentioned to OSC on multiple occasions, DSS is already coordinating with HPD on these development projects. The closing timelines are based on a variety of factors including availability of city capital, the scope of the project, such as how much work must go into each unit to make them livable, provider readiness and private



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market financing conditions (i.e. interest rates).

**State Comptroller's Comment** – While we recognize DSS' efforts in helping transition shelter clients to permanent housing, given the City's significant investment in Subchapter B units and the ongoing affordable housing shortage, it is essential that DSS improve controls over Subchapter B units, as we recommend in the report. We note that the developers entered into contracts in 2021, and 3 years later, there is still no definitive timeline for the rehabilitation work.

In conclusion, DSS remains committed to its mission of serving New York City's most vulnerable population in the most efficient and effective manner, while adhering to all applicable rules, regulations, and laws by which we are bound.

We are confident that our response to this audit demonstrates the Agency's commitment to continually improving our operations. Should you have any questions regarding the enclosed, please contact Victoria Arzu, Executive Director of the DSS External Audit Facilitation Team (EAFT) at 929-221-7067.

Yours sincerely,

*Christine Maloney*

Christine Maloney  
Deputy Commissioner, Office of Audit & Quality Assurance Services

NYC DEPARTMENT OF SOCIAL SERVICES  
OFFICE OF AUDIT SERVICES  
CORRECTIVE ACTION PLAN  
DRAFT REPORT RESPONSE

Audit Name: Office of the State Comptroller – CityFHEPS Rental Assistance Program  
Audit Number: 2023-N-1

Date: 10/11/2024

Auditor's Recommendations	Agency Response	Responsible Unit	Agency Corrective Action	Target Date
<p><b>Recommendation 1:</b></p> <p>Implement a system that appropriately monitors clients' eligibility for CityFHEPS and ensure that Shopping Letters are issued and renewed in a timely manner.</p>	<p><b>Agency Disagrees</b></p> <p>As previously explained, the generation and renewal of CityFHEPS Shopping Letters in the DHS system is generally automated based on data in the state Welfare Management System (WMS) and the DHS CARES system. Shopping Letters are generated fifteen days prior to expiration if a client is still eligible for CityFHEPS. If a new letter was not generated prior to the expiration of the current letter that would mean that either the client's Cash Assistance (CA) case is closed, or circumstances with employment or household composition have changed such that they are no longer eligible for a Shopping Letter. When client circumstances change again, such that they are eligible, a new letter will generate automatically. Clients who are eligible for a Shopping Letter but are not active on Cash Assistance can request a manual letter through DHS.</p> <p>Also, note that there is no City Rule indicating that a new Shopping Letter must be generated prior to the expiration of a current letter. The CityFHEPS Rule requires that households meet the eligibility criteria in order to receive the letter.</p> <p><b>State Comptroller's Comment – Contrary to DSS' assertions, we found instances where households had active CA cases with no change in their circumstances, and a Shopping Letter was not issued or renewed. Therefore, we stress the importance of monitoring clients' eligibility and</b></p>	<p>N/A</p>	<p>N/A</p>	<p>N/A</p>

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<p><b>Recommendation 2:</b>  Routinely monitor client case management records in DHS CARES for potential errors and update/correct accordingly.</p>	<p>ensuring that Shopping Letters are issued and renewed in a timely manner.</p> <p><b>Agency Partially Agrees</b>  The State Comptroller is citing a handful of cases where the exit reasons were coded incorrectly.  <b>State Comptroller's Comment – Approximately 21% of the cases we selected for review had exit reasons coded incorrectly—which is more than a "handful of cases."</b>  DSS is continuously working to ensure appropriate controls exist in the CARES system recording process around shelter exits. The system and procedures are evolving and may, at times, need to catch up to a new initiative.  Effective April 2024, the Agency instituted additional measures by documenting the reason for shelter exits in the check distribution process, prior to exit from shelter, to ensure that the information providers are entering is specific and accurate to applicable exit reasons.  In addition, the Agency conducts monthly training sessions to reinforce that accurate exit codes are used by staff.</p>	<p>DHS Rehousing</p>	<p>Update exit reasons in CARES.</p>	<p>Completed April 2024</p>
<p><b>Recommendation 3:</b>  Update Policy Bulletins in a timely manner to reflect changes in CityFHEPS policies and procedures.</p>	<p><b>Agency Disagrees</b>  The Agency continuously updates policy bulletins and procedures to reflect changes in policy. Given the critical nature of moving individuals and families into permanent housing, there may be a delay between implementing a policy change</p>	<p>N/A</p>	<p>N/A</p>	<p>N/A</p>

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<p><b>Recommendation 4:</b>  Establish a process to assist eligible clients in their search to find permanent housing upon issuance of the shopping letter.</p>	<p>and the recording of it in staff guidance documents. Additionally, as some of the policy changes result in changes within systems, at times the guidance for staff must follow the roll-out schedule of the impacted systems which may trail the change(s) in policy.</p> <p><b>State Comptroller's Comment</b> – It is good internal controls to establish guidance before implementing programs that are funded with taxpayer dollars. As noted in our report, while DSS officials told us that landlords of Augmented CityFHEPS cases are not eligible for Unit Hold Incentives, the 2021 Policy Bulletin related to the administration of the CityFHEPS program does not include this guidance and does not have a process for verifying that Unit Hold Incentives are paid only to eligible landlords. A lack of timely policies and procedures can lead to issues similar to the one highlighted in our report, where, according to the data, 916 Augmented CityFHEPS cases inappropriately received Unit Hold Incentives. We reiterate the importance of updating Policy Bulletins timely when DSS changes CityFHEPS policies and procedures, so staff know how to properly execute important functions.</p>	N/A	N/A	N/A

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	<p>specialists' primary task is to find apartment leads for the clients. The Agency actively searches for housing units in the private market through the DHS apartment search team and the Public Engagement Unit. These apartments are made available to shelter providers on behalf of clients through the HOME Program. The Agency shares best practices with, and provides regular training to, shelter providers to ensure clients move through the housing process expeditiously.</p> <p>This housing search occurs within the broader context of the NYC rental market, which currently has a rental vacancy rate of 1.4%, and is considerably lower than 1.4% for affordable rental units. For example, for households searching for units under \$1,100, the vacancy rate was only 0.39%. This vacancy rate creates a hardship in finding apartments. Nevertheless, DSS has continued to facilitate moveouts and ensures that our providers and clients work together to access tools that allow clients to exit shelters into permanent housing. Exit plans are tailored to client circumstances and choice (i.e., it may be linked to a school their children are attending or a medical facility where they may be receiving services).</p> <p><b>State Comptroller's Comment</b> – DSS provided no evidence that the agency actively supports clients in their search for permanent housing once the Shopping Letter has been issued. In fact, DSS' Policy Bulletin and the Shopping Letters issued to clients state that it is the clients' responsibility to look for and find housing. Additionally, the shelter provider we visited informed us that, while they recommend brokers, it is incumbent on the client to search for apartments. While we recognize the current shortages of</p>			

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<p><b>Recommendation 5:</b> Establish proper internal controls over CityFHEPS payments to landlords, including monitoring of incentives, and recoup any overpayments or improper payments, as warranted.</p>	<p>affordable rental units, we emphasize that DSS support is imperative. Despite our numerous meetings with DSS officials, there was no mention of the DHS apartment search team and the Public Engagement Unit during the audit or in response to our preliminary reports.</p> <p>Overall, DSS has increased permanent housing placements from DHS shelter by more than 20% year over year, which is evidence of the success of the processes in place to assist clients in their housing search despite market conditions.</p> <p><b>Agency Partially Agrees</b></p> <p>The CityFHEPS payment process has seen major improvements through the use of CurRent. Specifically, CurRent has allowed the Agency to make huge strides in improving controls over landlord payments by streamlining the data entry process. CurRent maintains a separate landlord record, linked to each client, so that if ten clients share the same landlord only one update needs to be made. This ensures accurate information is entered for all related client records, and also ensures that the landlord receives accurate payment.</p> <p>The Agency is gradually expanding access to the CurRent landlord portal, which gives landlords the ability to manage their own payment preferences. CurRent also allows the Agency to view all payments made to landlords across all of their tenants, whereas pre-CurRent payments could only be viewed tenant by tenant, which significantly improved our ability to monitor and review.</p> <p>Additionally, the DSS Claims and Collections unit reviews data</p>	<p>DHS Rehousing DSS AO Claims &amp; Collections Unit</p>	<p>Agency will review the Unit Hold Incentives case list and recoup, as needed.</p>	<p>3/31/2025</p>

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<p><b>Recommendation 6:</b> Develop and implement policies and procedures with regards to the administration of Augmented CityFHEPS.</p>	<p>matches and recovers funds, as appropriate. The Agency has a standard procedure that informs staff and the Landlord Management unit within the DSS Homelessness Prevention Administration (HPA) how to refer a case for investigation and recoupment. <b>See attached procedure for reference.</b></p> <p>Finally, in July of 2024, a specific lease tag was added in CurRent to indicate special circumstances, such as augmented rent. This allows application reviewers and approvers to see clearly if a lease has augmented rent and should not receive a unit hold incentive. In a future release of CurRent the Agency is also planning to add a feature to select a unit hold on leases with augmented rent, to ensure that the unit hold cannot be added to the application in error. This means that there will be a systemic restriction so that augmented rent and unit hold incentives cannot be simultaneously selected.</p> <p><b>Agency Agrees</b></p> <p>The Agency uses updated systems, including CurRent, where the payment process occurs. In addition, there are existing internal processes and a draft workflow that are being finalized and that staff use to manage the Augmented CityFHEPS subsidy process.</p> <p>Once again, it is important to note again that policies and procedures often follow the implementation of a new initiative.</p>	<p>DHS Rehousing OPPT</p>	<p>Finalize Augmented CityFHEPS procedure</p>	<p>3/31/2025</p>

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<p><b>Recommendation 7:</b></p> <p>Improve controls related to Subchapter B units, including but not limited to:</p> <ol style="list-style-type: none"> <li>Establishing proper policies and procedures related to the administration of Subchapter B units.</li> <li>Monitoring monthly rent payments to ensure that DSS is only paying for units that are occupied by CityFHEPS clients.</li> <li>Performing regular physical inspections of units to ensure their habitability for CityFHEPS clients. Coordinate this effort with HPD if necessary.</li> <li>Ensuring that contractors offer vacant units to eligible CityFHEPS clients as required by Agreements.</li> </ol>	<p><b>Agency Disagrees</b></p> <p>OSC misstates the intent of these projects, including how the contract was immediately implemented in the buildings, versus how the contract will function in the buildings long-term, post-construction.</p> <p><b>State Comptroller's Comment – Our report does not misstate or discuss the intent of the agreements related to Subchapter B units. It merely states the services the contracted entities must provide in accordance with the agreements.</b></p> <p>The Subchapter B contract helped transition in-place shelter clients to permanent housing tenants by providing residents with leases and CityFHEPS vouchers upon acquisition of the buildings by Neighborhood Restore. Due to the significant rehabilitation scope of the projects, DSS has <i>intentionally</i> delayed move-ins for additional tenants until necessary renovations are complete. As tenants need to be relocated for the construction period, moving new tenants into the project at this time would further delay progress. We anticipated that not all units would be occupied pre-construction, and that units which remained unoccupied during construction would not receive a rent subsidy.</p> <p><b>State Comptroller's Comment – Our report identified vacant units where DSS continued to pay rent after the unit became unoccupied. As such, we continue to encourage DSS to improve its monitoring related to Subchapter B units.</b></p> <p>The DSS primary goal for this universe of Subchapter B units is</p>	<p>N/A</p>	<p>N/A</p>	<p>N/A</p>



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	<p>to use project based CityFHEPS to expand the supply of affordable housing. This can be done in two ways. First, the contracts can be used to support acquisition of move-in ready buildings that would otherwise be market rate housing. Alternatively, the contract can help to support the financing package for substantial rehabilitation in conjunction with the Housing Preservation &amp; Development (HPD). In these cases, Subchapter B contracts help to expand the City's portfolio of affordable housing by making a construction loan closing financially viable, so the buildings for existing and future residents exiting from shelter to permanency represent high quality affordable housing. The necessary rehabilitation would not be possible without the project-based rent structure. DSS will be amending and restating contracts to facilitate calendar years 2024 and 2025 loan closings led by HPD. This work is actively underway, but the OSC Report does not reflect the significant effort and time it takes to get deeply distressed occupied buildings to a construction loan closing.</p> <p>a. The Agency disagrees with creating policies and procedures for this universe of projects, as the contract will be the long-term governing document for these projects.</p> <p><b>State Comptroller's Comment</b> – While we understand the role of the contract, specific policies and procedures could help DSS establish clear and uniform guidance to effectively oversee Subchapter B units and ensure that CityFHEPS clients are placed in safe housing in a timely manner.</p>			

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	<p>b. The Agency disagrees as the contract governs how payments will be made to these units and, as stated above, DSS has an existing process for recouping overpayments.</p> <p><b>State Comptroller's Comment</b> – Even though the contract governs how payments will be made, as noted in our report, we found payments were not made in line with the contract, as certain vacant units were paid for when they should not have been. As CityFHEPS expenditures have been significantly increasing in recent years, we reiterate the importance of exercising fiscal prudence and accountability and ensuring that the expenses incurred are appropriate.</p> <p>c. Any vacancies in these units are intentional and in support of the planned development project. Regular inspections are not part of the CityFHEPS process and are unnecessary for these contracts at this time.</p> <p>d. Again, vacancies in these units are intentional and in support of the planned development project.</p> <p><b>State Comptroller's Comment</b> – As we highlighted in the report, approximately 20% of Subchapter B units designated for CityFHEPS clients were vacant and not available for occupancy. Given the affordable housing and homelessness crisis, coupled with the extremely low vacancy rates as acknowledged by DSS, we encourage DSS to engage in more direct oversight of those units, including performing periodic inspections to identify units that can be readily made habitable and available to program participants.</p>			

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<p><b>Recommendation 8:</b></p> <p>Coordinate efforts with HPD to ensure that Subchapter B unit rehabilitations are completed in accordance with Management and Pre- Development Agreements and in a timely manner.</p>	<p><b>Agency Disagrees</b></p> <p>DSS is already coordinating with HPD on these development projects but is <i>not the lead agency</i>. HPD's closing timelines are based on a variety of factors including availability of city capital, the scope of the project, provider readiness, and private market financing conditions (i.e. interest rates).</p> <p><b>State Comptroller's Comment</b> – Regardless of who is the lead, given the City's significant investment in Subchapter B units and the ongoing affordable housing shortage, it is essential that DSS improve controls over Subchapter B units, as we recommend in the report. We note that the developers entered into contracts in 2021, and 3 years later, there is still no definitive timeline for the rehabilitation work DSS talks about.</p>	<p>N/A</p>	<p>N/A</p>	<p>N/A</p>



## OFFICE OF POLICY, PROCEDURES AND TRAINING

DSS Policy Bulletin #2023-021

Date: November 2, 2023

DISTRIBUTION: ALL STAFF

### SUBMITTING REQUESTS TO THE DSS ACCOUNTABILITY OFFICE FOR LANDLORD RECOUPMENT

**Subtopic(s):** Rental Supplement, Rental Recoupment

#### ■ AUDIENCE

This policy bulletin is directed at Family Independence Administration (FIA), Homelessness Prevention Administration (HPA), and Department of Homeless Services (DHS) Rehousing Division staff. It is information for all other staff.

#### ■ PURPOSE

The purpose of this policy bulletin is to inform FIA, HPA, and DHS staff of the process for submitting requests to the Claims and Collections Division (C&C) of the DSS Accountability Office (DSS-AO) for landlord recoupment.

#### ■ BACKGROUND

Rental assistance programs help individuals and families experiencing homelessness, as well as households in the community at risk of experiencing homelessness, find and keep housing by providing monthly rent supplements. The monthly rent supplements are paid directly to the participant's landlord by the New York City Department of Social Services (DSS)/Human Resources Administration (HRA)/Department of Homeless Services (DHS). If the rental assistance program participant notifies DSS/HRA/DHS that they have relocated or if DSS/HRA/DHS staff discovers that the participant is in the process of moving or the landlord is attempting to re-rent the unit but a rent payment has already been made, DSS/HRA/DHS must make efforts to recover the rent payment from the former landlord for periods the recipient did not reside at the premises. This rental recoupment process is handled by C&C.

#### ■ REQUIRED ACTION

Staff can refer cases to C&C when the former landlord received the rent check(s) that they were not entitled to. To refer a case to C&C, staff must complete the Landlord Overpayment Referral Form (**CC-143c**) and send it to the Claimsandcollections Mailbox of C&C ([claimscollections@dss.nyc.gov](mailto:claimscollections@dss.nyc.gov)).

Upon receiving a completed **CC-143c**, a C&C Investigator will review the case to see if a refund of the rent check(s) is necessary. The Investigator will contact the client, the new landlord, the old landlord, and if needed, conduct site visits to the client's previous address.

Once the Investigator has determined that a refund is due to DSS/HRA/DHS, the Landlord Repayment Letter (**CC-143b**) will be sent to the landlord to request payment. If the landlord fails to respond to the letter within thirty (30) days from the date of the letter, or refuses to pay the amount owed, the case may be referred to the New York City Law Department for potential litigation.

Please refer to the Landlord Recoupment Procedure, [2023-12-CC](#), for details on the recoupment process.

*Effective Immediately*

**RELATED ITEM:**

[2023-12-CC](#)

**ATTACHMENTS:**

**CC-143b (E)** Landlord Repayment Letter (04/12/21)  
**CC-143c (E)** Landlord Overpayment Referral Form (10/06/23)



**Department of Social Services**  
 Human Resources Administration  
 Department of Homeless Services

Department of Social Services  
 Accountability Office

**INVESTIGATION, REVENUE AND ENFORCEMENT ADMINISTRATION  
 DIVISION OF CLAIMS AND COLLECTIONS**

375 PEARL STREET  
 NEW YORK, NY 10038  
 Phone: (718) 557-1344 Fax: (917)-639-0724  
 Email: [claimscollections@dss.nyc.gov](mailto:claimscollections@dss.nyc.gov)

Date: [Date]

[First Name Last Name]  
 [Address]  
 [City, State, Zip Code]

Case Number [Case Number]  
 Re: [Client Name]

Dear [First Name Last Name]:

The Division of Claims and Collections is conducting an investigation concerning Agency issued rent checks that were made payable to you and were cashed by you for the above noted program participant. According to our records, you were not entitled to these monies based on the following reason:

- The participant left the apartment during the lease
- The participant resides out of state
- The participant died on [Date]
- The participant never moved to the noted apartment
- The checks in question were duplicated in error by the Agency
- The building was foreclosed prior to the participant's lease date
- Security deposit and broker's fee were issued, and participant did not receive apartment
- Other [Type Reason]

Time period for which rent checks were cashed: [Date] to [Date]

Total amount of rent checks cashed: \$0.00

You are therefore required to repay this money. If you have no objections to making a repayment for the amount noted above please make your check or money order payable to the **Department of Social Services** and mail to:

**New York City Department of Social Services  
 Division of Claims and Collections  
 P.O. Box 414312  
 Boston, MA 02241-4312**

If you disagree that you owe this money or otherwise wish to contest this matter, you can call the number below to schedule an appointment.

**Be advised that failure to make a restitution payment or to contact Investigator [Investigator Name] within thirty (30) days from the date of this letter may result in this matter being referred to our legal department.**

Sincerely,

**Inv or Supv Name**  
 [Select Title]  
 929-252-Ext



**INVESTIGATION, REVENUE AND ENFORCEMENT ADMINISTRATION  
DIVISION OF CLAIMS AND COLLECTIONS**

**Landlord Overpayment Referral Form**

**DATE:** \_\_\_\_\_

**PROGRAM AREA NAME:** \_\_\_\_\_

**SOURCE INFORMATION**

1. Name – First: \_\_\_\_\_ Last: \_\_\_\_\_  
 2. Office Phone #: \_\_\_\_\_ Email: \_\_\_\_\_  
 3. Call back – Date: \_\_\_\_\_ Time: \_\_\_\_\_

**CLIENT INFORMATION**

1. Name – First: \_\_\_\_\_ Last: \_\_\_\_\_  
 2. Case Number: \_\_\_\_\_ CIN#: \_\_\_\_\_  
 3. Social Security No.: \_\_\_\_\_  
 4. Address: \_\_\_\_\_ State: \_\_\_\_\_ Zip: \_\_\_\_\_

**LANDLORD INFORMATION**

Current Landlord Name: \_\_\_\_\_ Phone #: \_\_\_\_\_ Email: \_\_\_\_\_  
 Current Landlord Address: \_\_\_\_\_ State: \_\_\_\_\_ Zip: \_\_\_\_\_  
 Move in Date: \_\_\_\_\_ Move out Date: \_\_\_\_\_

Previous Landlord Name: \_\_\_\_\_ Phone #: \_\_\_\_\_ Email: \_\_\_\_\_  
 Previous Landlord Address: \_\_\_\_\_ State: \_\_\_\_\_ Zip: \_\_\_\_\_  
 Move in Date: \_\_\_\_\_ Move out Date: \_\_\_\_\_

**Broker Name:** \_\_\_\_\_ **Phone #:** \_\_\_\_\_

**Time period for which rent checks were issued:** [Date] to [Date]

**Proposed Total amount of Landlord repayment:** \$ \_\_\_\_\_

**REASON FOR REFERRAL**

- The participant left the apartment
- The participant resides out of state
- The participant died on [Date]
- The participant never moved to the noted apartment
- The checks in question were duplicated in error by the Agency
- The building was foreclosed prior to the participant's lease date
- Security deposit and broker's fee were issued, and participant did not receive apartment
- Other (*Explain in Comments section*)

**Comments:** \_\_\_\_\_

# Contributors to Report

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