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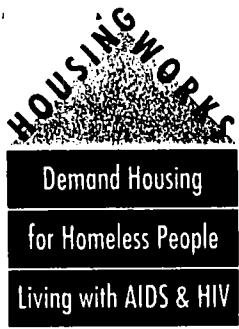
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SURVEY OF THE CONDITIONS IN
THE SINGLE ROOM OCCUPANCY
HOTELS UTILIZED BY THE NEW
YORK CITY DIVISION OF AIDS
SERVICES INCOME SUPPORT TO
HOUSE ITS CLIENTS
WHO ARE HOMELESS

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ADVOCACY DEPARTMENT
SEPTEMBER 29, 1999

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HOUSING WORKS¹ SURVEY

I. INTRODUCTION

The Division of AIDS Services Income Support ("DASIS") has known for years that the emergency housing that it provides to its clients is quite often unfit for human habitation. The single room occupancy hotels ("SROs") in which DASIS houses its homeless clients are routinely dangerous, filthy, hazardous, and unsanitary. In fact, they are life-threatening for DASIS clients, all of whom suffer from severely compromised immune systems as a result of clinical/symptomatic HIV illness or AIDS.

Public documents establish that the City has known of these life-threatening and deplorable conditions since at least 1996. Additionally, in October of 1998, the Comptroller of the City of New York conducted a survey of the SROs utilized by DASIS and issued a report revealing widespread "hazardous" conditions in the SROs. The Comptroller's Report stated that the conditions in the SROs "jeopardize[] the life, health, and safety of DASIS' clients." Tragically, and quite outrageously, DASIS continues to place its clients in filthy, dangerous, and life-threatening housing, notwithstanding the widespread, public revelations regarding the horrors to which DASIS clients are being subjected. DASIS continues to do so, moreover, despite its obligation under the DASIS Law, passed by the New York City Council in 1997, to provide DASIS clients with "medically appropriate transitional and permanent housing". The DASIS Law defines medically appropriate transitional housing as "housing which is suitable for persons with severely compromised immune systems, and if necessary, accessible to persons with disabilities." The emergency housing that DASIS is providing large numbers of DASIS clients is as medically inappropriate for persons living with AIDS as imaginable.

¹ Housing Works is a minority-controlled, community-based, nonprofit organization providing housing, health care, advocacy job training, and vital supportive services to homeless New Yorkers living with HIV and AIDS. Our mission is to reach the most vulnerable and under-served among those affected by the AIDS epidemic: people who, in addition to struggling with homelessness and AIDS, are also burdened with histories of chronic mental illness and chemical dependence. Housing Works has designed a comprehensive range of services designed to meet the complex needs of our clients; services intended specifically to help them gain stability, security, and independence so that they can live longer, healthier lives with hope and dignity.

The City has meekly asserted that it has rectified the problems, but the Comptroller's Report, issued years after the City first learned, in detail, of the horrors in the SROs, completely contradicts the City's assertions. More importantly, this assertion is contradicted every day by DASIS clients who are forced to endure life-threatening and inhuman conditions in the SROs. To assess the current conditions in the SROs, Housing Works conducted a survey of 203 DASIS clients residing in SROs over the past year. This survey demonstrates that DASIS is still unconscionably subjecting DASIS clients to filthy, unsanitary, dangerous, and life-threatening conditions.

II. BACKGROUND

The deplorable and life-threatening conditions present in the SROs have been fully documented by two independent reports submitted to the City of New York and are a matter of public record. Under contract with the Mayor's Office, the Center for AIDS Outreach and Prevention of the National Development and Research Institutes, Inc. ("NDRI"), an independent and well-respected research institute, conducted a demonstration project to provide on-site harm reduction outreach services to DASIS residents of SROs in the Bronx and Manhattan. The year-long project began in March 1996 and included monthly reports to the Mayor's Office describing the brutal conditions in the SROs. NDRI delivered a final report to the Mayor's Office of AIDS Policy Coordination on April 29, 1997 (the "NDRI Report"). (An interim report was delivered on February 10, 1997.) The NDRI Report detailed the appallingly dangerous, unhealthful, and abusive conditions in which DASIS clients were (and presently remain) forced to live in each of the five SROs served by the outreach teams.

For almost one year after receiving the final NDRI Report, the Mayor's Office had still failed to release the report to the public. This was done by Housing Works and members of the New York City Council in a press release in March of 1998. It is not surprising that the Mayor's Office suppressed the Report. The 107-page NDRI Report contained startling details of the conditions in the SROs and indicated that the City is blatantly violating the law. The appalling

conditions detailed in the NDRI Report included grossly unsanitary conditions; lack of refrigerated food and medicine storage for DASIS clients; the banning of all food in some SROs; lack of access to middle and upper floors by non-ambulatory and semi-ambulatory residents; and the creation and promotion of informal exploitative economies, with widespread loan-sharking, drug dealing, and prostitution by colluding hotel management and/or employees and/or on-site HRA workers.

The Mayor's only comment upon hearing that the NDRI Report had finally been released was that the release would interfere with an ongoing investigation, presumably by the Department of Investigation. Considering that the City unequivocally had knowledge of the horrors to which DASIS clients were being subjected in the SROs in 1996, this assertion *two years later* not only rang hollow, but it demonstrated the priority and urgency given to rectify life-threatening conditions for DASIS clients. This was subsequently demonstrated in October of 1998, when the Comptroller of the City of New York concluded that conditions in the SROs "jeopardize[] the life, health, and safety of DASIS' clients."

On October 16, 1998, the Office of the Comptroller of the City of New York issued a Report entitled, "Human Resource Administration's Division of AIDS Services and Income Support's Controls over Payments to Privately Owned Hotels for DASIS Clients" (the "Comptroller's Report"). Among other things, the Comptroller's Report chronicles the hazardous conditions to which DASIS clients are being subjected in the SROs. The Comptroller's Report, issued one and one-half years after the final NDRI Report, firmly establishes that DASIS clients continue to be subjected to horrible and unsanitary conditions in the SROs. The Comptroller's Report explains: "[W]e visited the hotels to document the living conditions for DASIS' clients. Our visits revealed that these conditions were unsatisfactory and unsafe." (Comptroller's Report at ES-4, 6) (Emphasis added.) The Comptroller's Report continues: "The hotels were not in compliance with Title 18 standards that require them to provide satisfactory maintenance, housekeeping, vermin control, and security. Many of the hotels visited had violations issued by HPD and DOH. For 9 hotels, 53 of the 83 HPD violations cited were classified as hazardous. For

5 hotels, 71 of the 101 DOH violations cited were for poor maintenance.” (Comptroller’s Report at ES-5, 6) (Emphasis added.)

The Comptroller’s Report similarly states:

Our audit found that some DASIS clients are housed in unsanitary and unsafe conditions at various DASIS hotels. These clients are continuously housed in these facilities, even though the hotels have deficiencies in maintenance, housekeeping, vermin control, and physical security. The presence of these conditions violates Title 18 of the Social Services Law.

(Comptroller’s Report at 16)

Finally, the Comptroller’s Report unequivocally establishes that the conditions to which DASIS is subjecting DASIS clients represent a very real threat to their life, health, and security:

We are concerned that DASIS continues to place and pay to house its clients in these 14 hotels inspected by HPD and DOH, even though they are not in compliance with critical Title 18 requirements. Non-compliance with the minimum standards set forth in Title 18 jeopardizes the life, health, and safety of DASIS’ clients. To improve the quality of life for its clients, DASIS should make sure that hotels are providing satisfactory maintenance, housekeeping, vermin control, and security as required by Title 18.

Notwithstanding these independent public reports, and the urgent need for drastic action to preserve the health, safety, and lives of DASIS clients, the City has continued to place DASIS clients in abominable conditions. The Housing Works Survey strongly confirms this fact.

III. SURVEY METHODOLOGY

Between March 17, 1999 and August 16, 1999, Housing Works’ Advocacy Department surveyed 203 DASIS clients who had lived (or were presently living) in emergency housing provided by DASIS since the summer of 1998. Surveys were conducted in three of Housing Works’ locations -- 594 Broadway, 320 West 13th Street, and East 9th Street -- and at the sites of three other AIDS service providers: Momentum, Harlem United, and GMHC.² Each respondent was asked to complete a questionnaire designed to assess the conditions in each of the SROs in which the client had resided over the past year. Respondents were asked questions in areas ranging

² Respondents were neither randomly selected nor selectively screened based upon their conditions. Respondents were offered two tokens for transportation after the survey was conducted.

from the presence of vermin, to the safety of each hotel, to the presence of refrigerators in each room.

A separate questionnaire was completed for each SRO in which the respondent had resided within the past year. Thus, the statistics for the 203 respondents reflect 303 hotel stays. In addition, respondents resided in a total of 49 different DASIS hotels over the year, including 24 in Manhattan, 20 in the Bronx, 3 in Queens and 2 in Brooklyn.

IV. FINDINGS

Attached to this report are the statistical results of the Housing Works Survey. As those statistics indicate, the conditions in the SROs in which DASIS is housing persons living with AIDS are wholly medically inappropriate, dangerous, and life-threatening. The following is a brief description of the chief problems that DASIS clients face in the SROs.

Appallingly Filthy and Unsanitary Rooms

Persons living with AIDS suffer from severely compromised immune systems. As a result, they are far more susceptible to illness and infection. In addition, persons living with AIDS have a far more difficult time fighting off infections, and illnesses that are not lethal to the general population can be deadly to persons living with AIDS. It is therefore crucial that DASIS clients be provided with clean rooms, including clean beds and linens. The Housing Works Survey, like the NDRI Report and the Comptroller's Report before it, indicates that the rooms in which a great number of DASIS clients are being housed are appallingly filthy and unsanitary. As the Comptroller of the City of New York concluded, these conditions jeopardize the life, health, and safety of DASIS' clients.

A startling 61%³ of clients surveyed reported the presence of vermin in their rooms (see Chart 1). This is not only disgusting, but extremely dangerous for DASIS clients, because vermin carry and transmit numerous infectious diseases. Another 18%, or nearly one in five residents, did not have a working lock on the door to their room (see Chart 1). This makes security impossible and results not only in increased stress, but widespread theft of clients' belongings. Similarly,

³ Percentages are rounded to the nearest whole number.

17% reported broken windows in their room (see Chart 1). This is especially troubling in the winter, when frigid air blows through broken windows, and in the summer, when it becomes impossible to open the windows to allow breezes through the room. Needless to say, climate control is critical to the health and well-being of persons living with AIDS.

Finally, 32% did not have clean linen (see Chart 1), 35% did not have clean blankets (see Chart 1), and 23% did not have clean pillows (see Chart 1). This means that upwards of one in three DASIS clients are coming into direct contact with bedding that, among other things, can cause infection and rashes, particularly in severely immuno-compromised individuals.

Filthy and Unsanitary Bathrooms

Bathrooms are breeding grounds for germs and funguses. It is thus essential that the SRO bathrooms be maintained in a clean and sanitary manner. It is for this very reason that DASIS' own Policies and Procedures -- on paper -- limit the number of DASIS clients who may share a SRO bathroom to no more than five to a bathroom. In addition, in recognition of the health status and special needs of persons living with AIDS, the DASIS Law expressly mandates that DASIS provide DASIS clients with transitional housing with "adequate bathroom facilities which shall, at a minimum, provide an effective locking mechanism and any other such measures as are necessary to ensure privacy."

The Housing Works Survey demonstrates that DASIS is failing miserably to comply with the law, and with its own Policies and Procedures, jeopardizing the health and lives of DASIS clients. A deplorable 55% of clients reported that their bathrooms were dirty (see Chart 2), with 43% reporting vermin in the bathrooms (see Chart 2). Forty-five percent (45%) of clients, or almost half, do not feel physically safe in the bathrooms (see Chart 2). With respect to privacy and the DASIS Law's requirement of bathroom locks, 49% reported that there is no lock on the outside door of the bathroom (see Chart 2), and only 33% reported that there is a lock on all toilet stalls (see Chart 2). This is particularly disturbing when viewed in conjunction with the number of residents with whom DASIS clients are forced to share their bathroom. A total of 48% of the clients sharing a bathroom reported sharing the bathroom with more than ten people, or double the

maximum number prescribed by DASIS' own policy (see Chart 3). Of those, 19% report that they share a bathroom with 11-19 people; 16% share a bathroom with 20-29 people; 7% share with 30-39 people; and 6% share with 40 or more people, an astounding figure (see Chart 3).

Filthy and Unsanitary Hallways

The Housing Works Survey reveals that the SRO hallways, like the individual rooms and bathrooms, are filthy and unsanitary. Sixty-two percent (62%) of clients reported the presence of vermin in the hallways (see Chart 4); 31% reported that the hallways smell of urine (see Chart 4); 43% reported that the hallways are dirty (see Chart 4); and 39% reported that there is garbage strewn about in the hallways (see Chart 4).

Lack of Working Elevators

Persons living with AIDS suffer from numerous opportunistic infections and concomitant symptoms such as shortness of breath, fever, vision loss, wasting, extreme fatigue, nausea, lack of coordination, and painful neuropathy, which causes numbness and weakness in the hands and feet and severe pain which limits the ability to walk. Some DASIS clients, of course, are nonambulatory as a result of their illnesses. Nonetheless, 39% of DASIS clients reported that there was no elevator in the SRO in which they were housed (see Chart 5). Another 8% reported that the elevators rarely or never worked (see Chart 5). The result is that DASIS clients often become trapped on their floors or they are forced to attempt to walk up and down the hotel stairs, a difficult or impossible task for many. Among other things, this deplorable situation can lead DASIS clients to miss appointments, including medical appointments, and to forgo purchasing the fresh foods that many clients require for their diets.

Lack of Refrigerators and the Banning of Food Storage in the Individual Rooms

The DASIS Law requires that each DASIS client be provided with an individual refrigerator. Refrigerators are crucial for DASIS clients for at least three reasons. First, many of the AIDS medications require refrigeration. Second, many of the medications must be eaten with food. Third, persons living with AIDS have nutritional abnormalities that make it difficult to obtain adequate nutrition. Accordingly, they require a healthy diet of fresh food, including fruits,

vegetables, and juices, all of which require refrigeration. The lack of a refrigerator poses a very real threat to the health and life of a DASIS client.

The Housing Works Survey found that 32%, or fully one-third of the clients, do not have a working refrigerator in their room, two years after the passage of the DASIS Law (see Chart 1). In addition, 28% reported that they could not store food in their room (see Chart 6). As a result, many DASIS clients must leave the hotel to buy fresh food every time they eat, and they are forced to throw out what they cannot eat. Many DASIS clients cannot pursue a proper medication regimen, moreover, because their medication will be or is rendered useless by the lack of refrigeration. Given that proper food and medication is a matter of life or death for DASIS clients, this is nothing less than an outrage.

Illegal Activities by Non-Residents and Hotel Staff

The NDRI Report provided shocking details of the illegal activities occurring in the SROs, including illegal activities by non-residents, by hotel management and employees, and by on-site DASIS employees. The stress caused by these nightmarish conditions is extremely deleterious for DASIS clients. Clients have a particularly difficult time staying “clean,” moreover, when even the management and employees of the hotel are engaged in drug dealing and other illicit activities, and when hotel management allows non-residents to create exploitative economies in the hotels.

The Housing Works Survey confirms that the horrors detailed in the NDRI Report continue to this day. Thirty-five percent (35%) of those surveyed reported that non-residents engage in illegal activities in the SRO hallways (see Chart 7), and 31% reported that non-residents engage in illegal activities in the SRO bathrooms (see Chart 8). Even more shockingly, and yet wholly consistent with the NDRI Report, clients report widespread illegal activities committed by hotel staff. Thirteen percent (13%) of the clients surveyed reported knowing of drug dealing/selling by hotel staff; 9% reported hotel staff engaged in sex work; 16% loan sharking; 7% sexual assaults; 14% threats; 12% violence; 17% theft of room; and 10% robbery of person (see Chart 9). These figures might seem implausible were it not for the fact that NDRI, an independent and respected

organization under the employ of the Office of the Mayor, reported that hotel management and staff were widely engaged in many of these very activities in the SROs studied.

Illegal Activities by Residents

Obviously, some amount of criminal activity is inevitable, and hotel staff -- and DASIS -- cannot and should not, without specific information or due cause, regulate what goes on behind closed doors. But hotel management -- and DASIS -- does have an obligation to provide safe and humane living conditions to DASIS clients equal to those that a common citizen would expect from a hotel. The DASIS Survey reveals that the SROs are terrifying, dangerous, and often brutal places to reside. Clients report that illegal and even violent activities by residents are widespread throughout the SROs, with 50% reporting drug dealing/selling; 43% reporting sex work; 40% reporting loan sharking; 18% reporting sexual assaults; 43% reporting violence; 44% reporting theft of room; 36% reporting robbery of person; and 5% even reporting murder (see Chart 10).

Again, DASIS and hotel management cannot control all illegal activity, but greater security of common areas and functioning locks on all rooms would aid greatly in reducing crime. When one considers, for example, that 18%, or nearly one in five residents, did not have a working lock on the door to their room (see Chart 1), and 20% reported no front desk security in their hotels (see Chart 11), it is obvious that DASIS is failing miserably to do all that it can for its clients.

Segregation of DASIS Clients

Many DASIS clients are housed in SROs that also house non-DASIS residents. The DASIS Survey found that 17% of DASIS clients report that DASIS clients, all of whom are persons living with AIDS or clinical/symptomatic HIV illness, are segregated on certain floors or areas (see Chart 12). This discriminatory action is extremely harmful and hurtful. It stigmatizes DASIS clients and creates the likelihood that DASIS clients' health status will be violated, in contravention of New York State confidentiality laws and basic standards of decency.

Lack of On-Site DASIS Support Services and Lack of Visits by DASIS Staff

Although DASIS pays the SROs to provide emergency housing to DASIS clients, it is in no way relieved of its duty to ensure the safety and well-being of its clients, and to be responsive

of clients' needs. Sixty-five percent (65%) of DASIS clients, however, reported no on-site support services in their SRO (see Chart 13). Even more troubling, 88% of those surveyed, or nearly nine in ten, reported that DASIS staff never visited them in their hotel (see Chart 14). Considering the desperate circumstances in which so many DASIS clients are living in the SROs, and in light of the fact that DASIS has known for years that DASIS clients are suffering grave harm in the SROs, it is outrageous that the vast majority of DASIS clients are so completely neglected.

IV. CONCLUSION

On a daily basis, DASIS clients tell those who will listen, including DASIS case managers and on-site workers, of the horrors to which they are being subjected in the SROs. These horrors include rodent infestations so intense that the rodents crawl into the beds and bite clients; murder and sexual assault in the hotel bathrooms; broken windows and lack of heat in the middle of winter; filthy, ripped, blood-stained linens that hotel management refuses to clean, or cleans every few weeks; hotels where management refuses to clean the bathrooms, forcing residents living with AIDS to clean used needles, urine, and human waste; hotels with no elevators for nonambulatory clients trapped on upper floors; and clients who desperately need but are refused refrigerators for medication and fresh food. As the NDRI Report, the Comptroller's Report, and now the Housing Works Survey demonstrate, these unconscionable and life-threatening problems are widespread and recurrent.

The City's purported policy of taking hotels discovered to be in violation of the health codes off of the DASIS referral list is wholly and tragically ineffectual. It is not only worthless at detecting and ameliorating the horrid conditions detailed above, but it is inherently impossible for this after-the-fact policy to prevent the suffering of DASIS clients before it occurs -- suffering that threatens the health and lives of DASIS clients. Years after the City first explicitly learned of this outrage, we must once again ask, whose "quality of life" is the Mayor talking about?

CHART 1

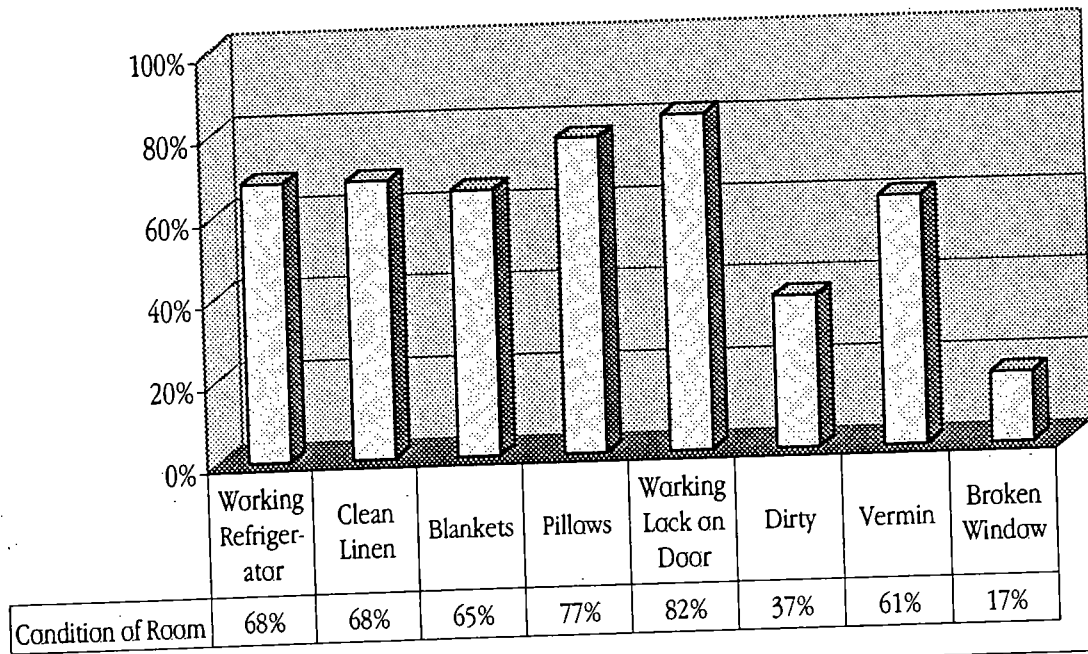


CHART 2

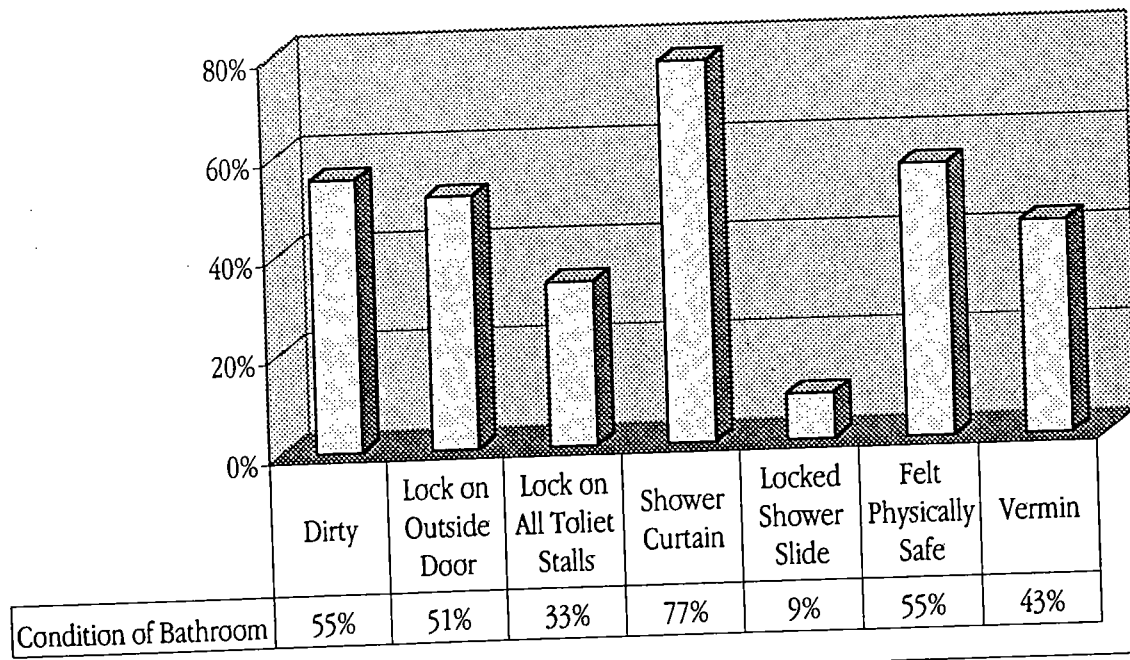


CHART 3

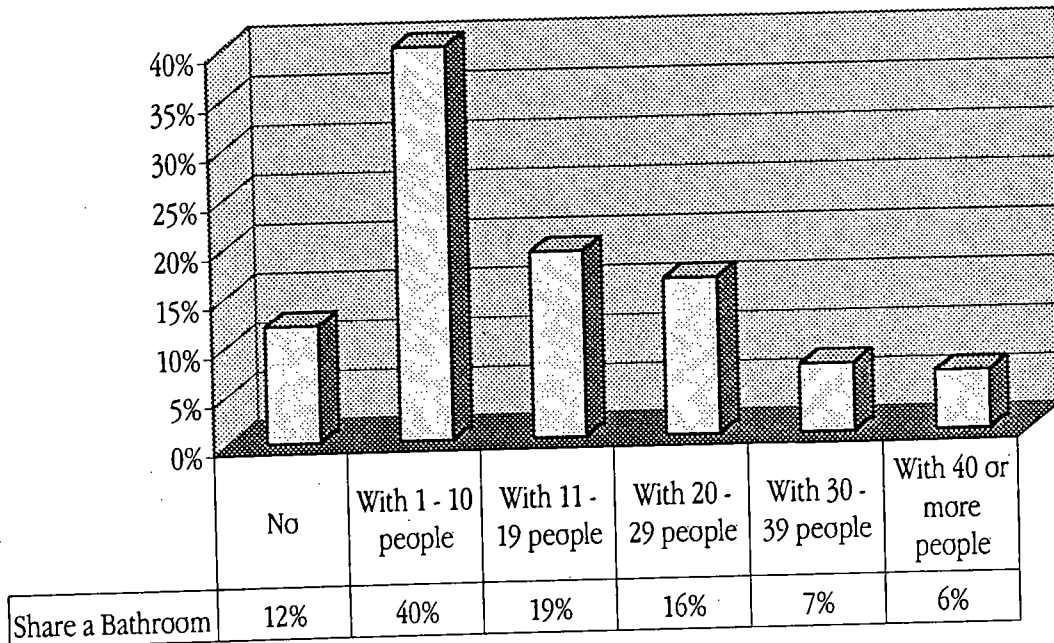


CHART 4

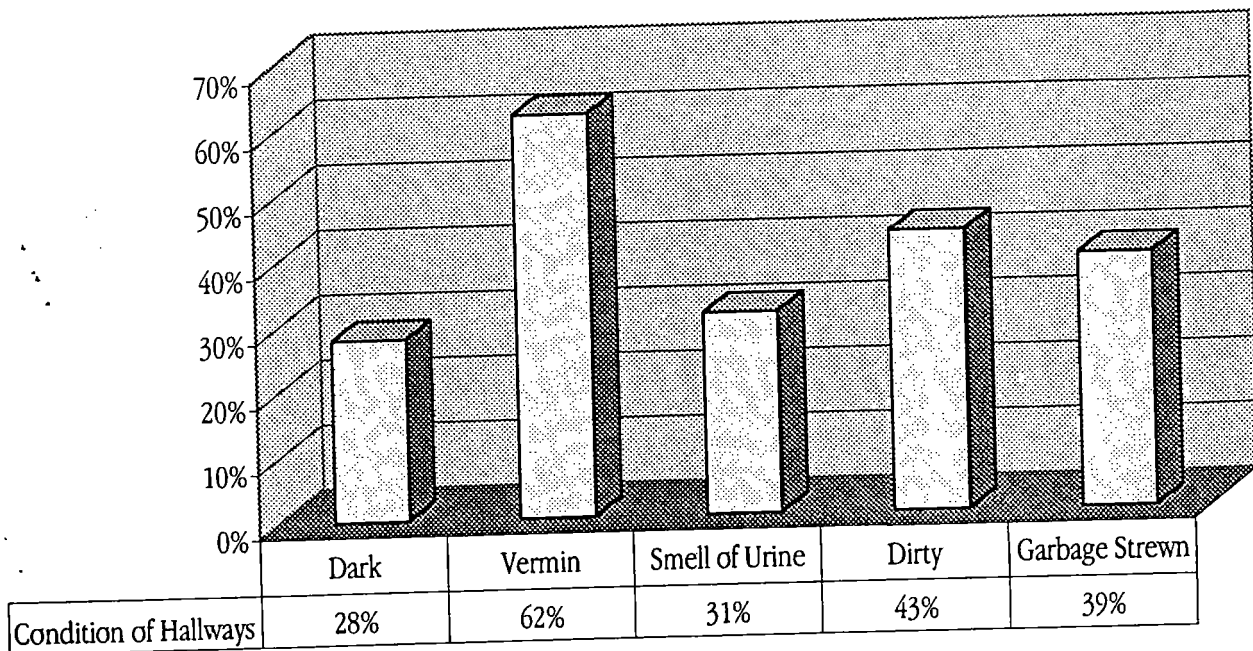


CHART 5

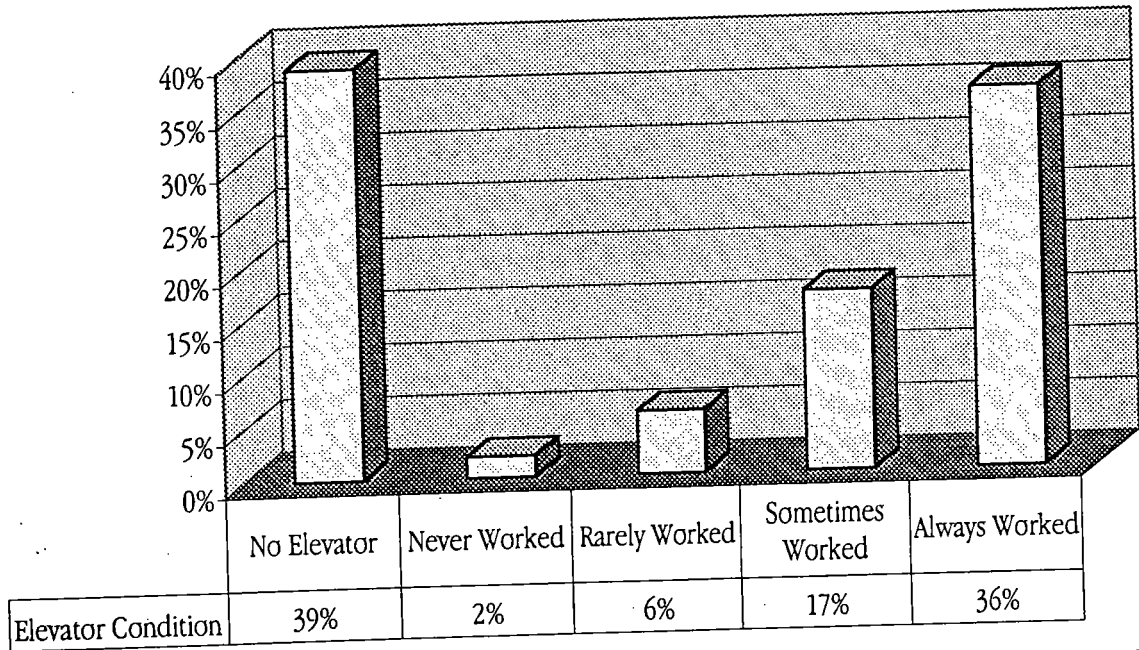


CHART 6

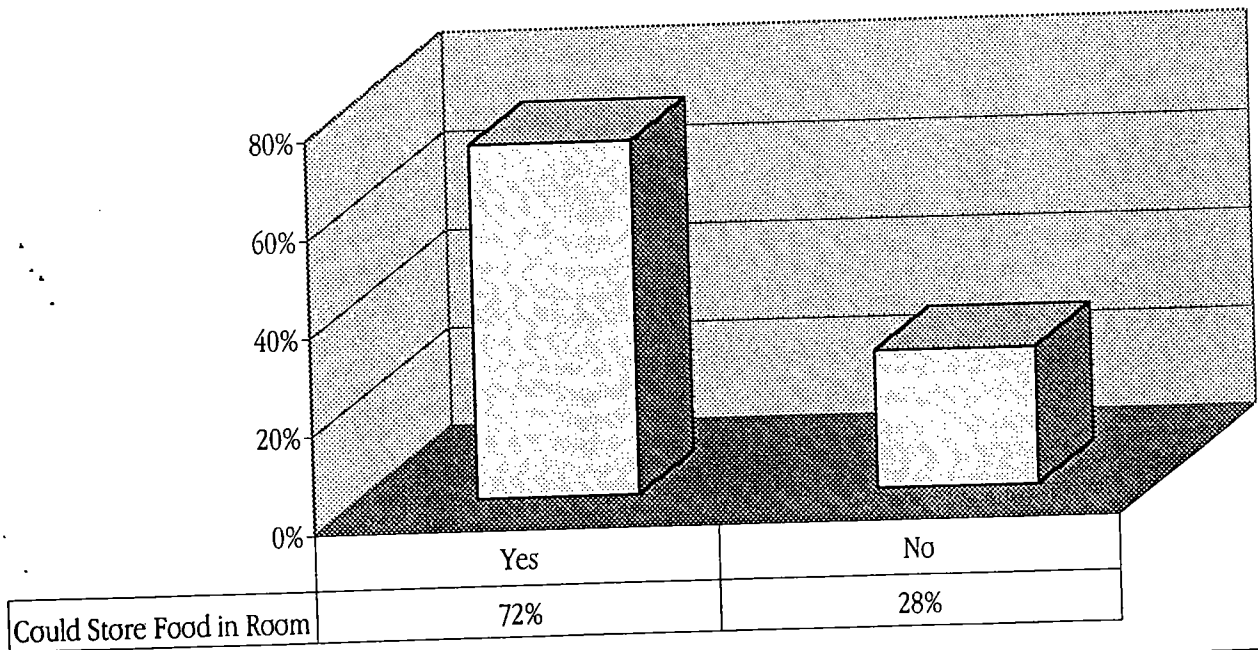


CHART 7

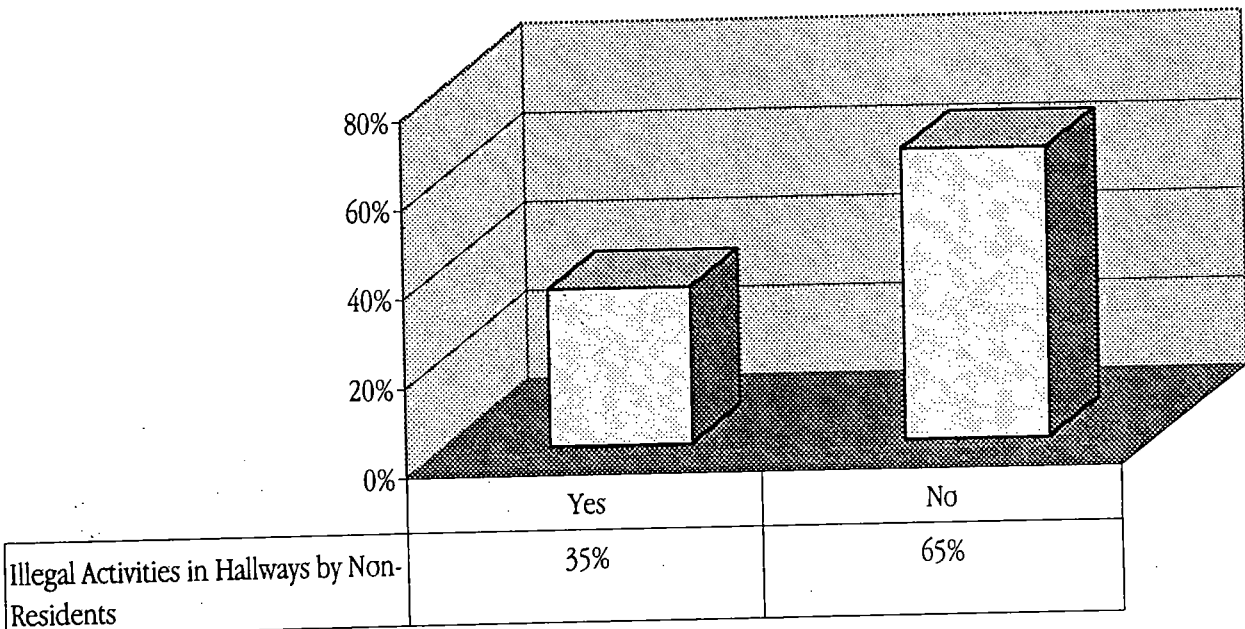


CHART 8

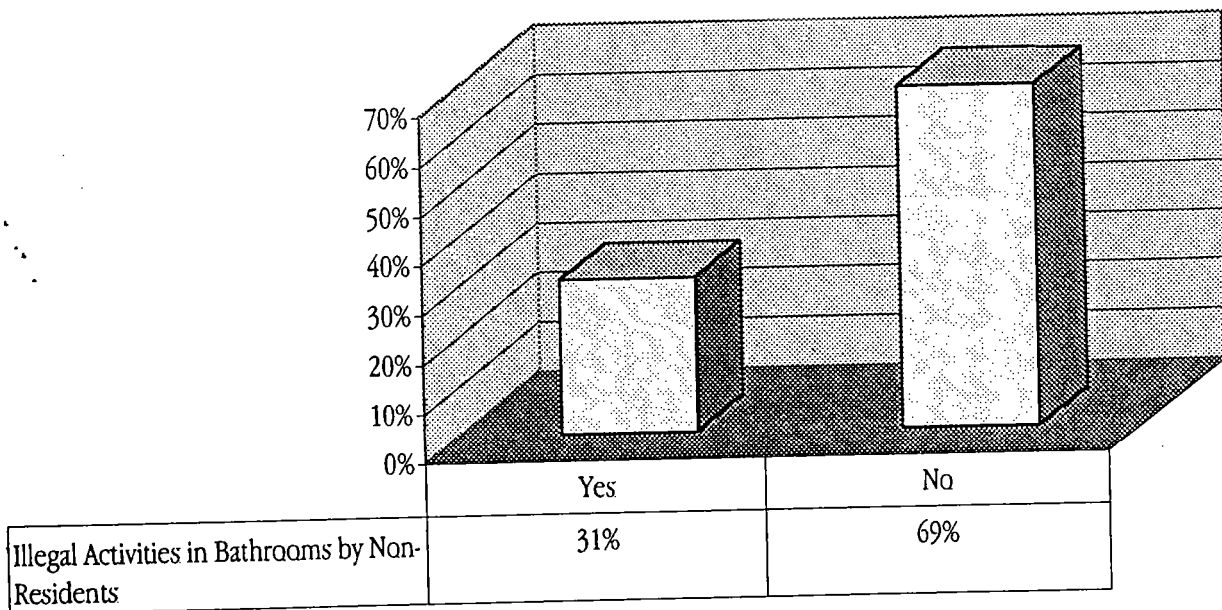


CHART 9

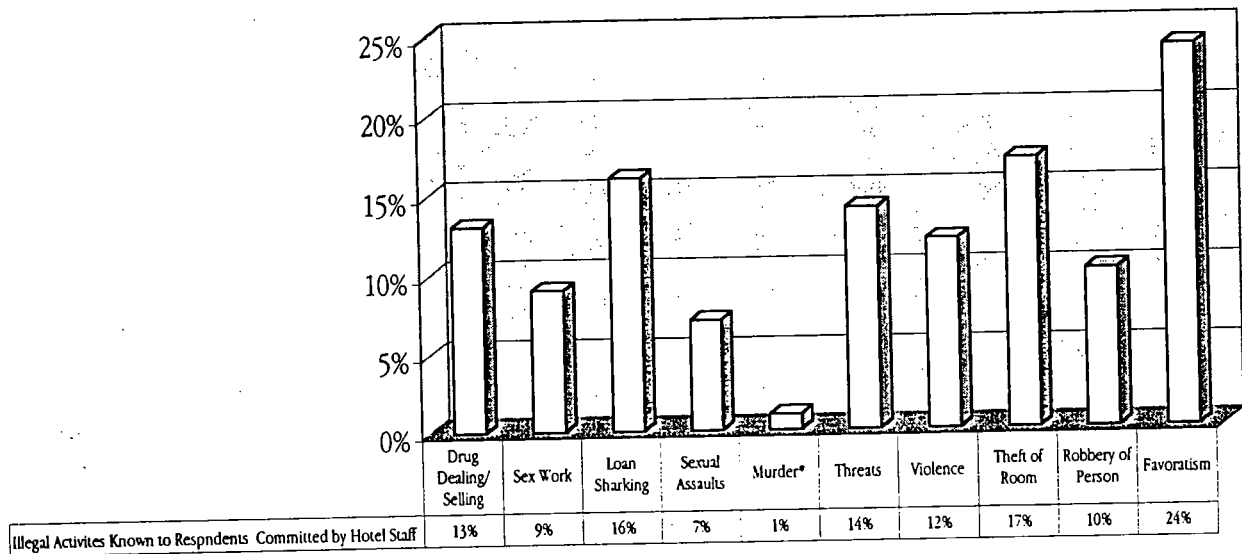
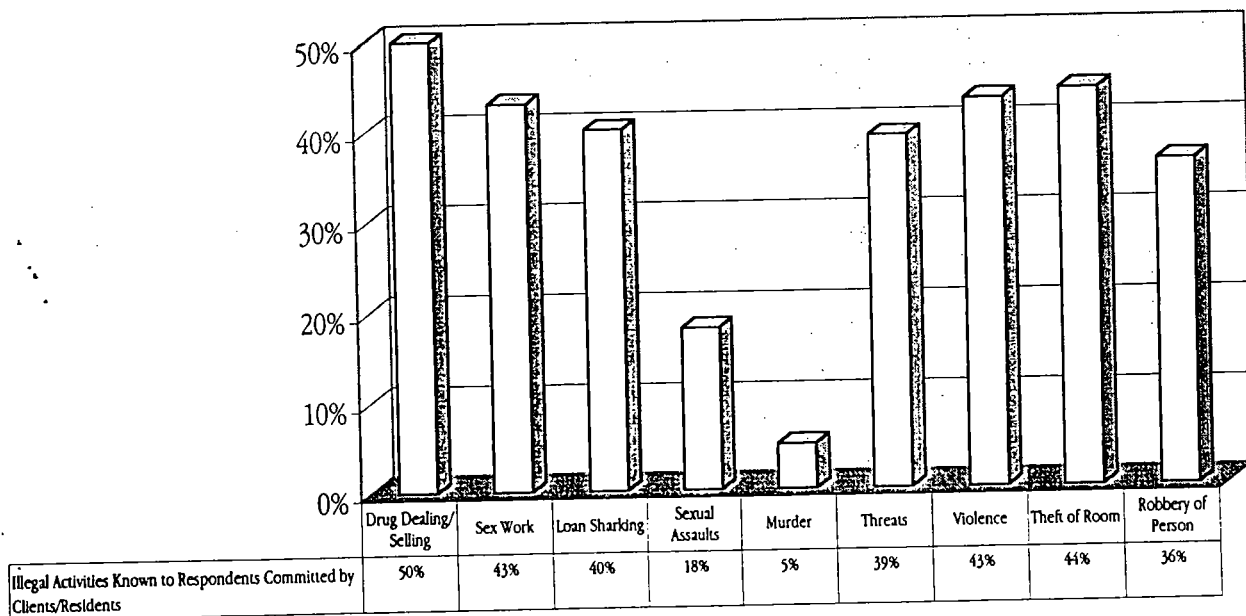


CHART 10



* Although it is unclear whether any hotel staff has been officially investigated or charged with murder, a few respondents apparently believed that hotel staff were involved with murder at the SRO.

CHART 11

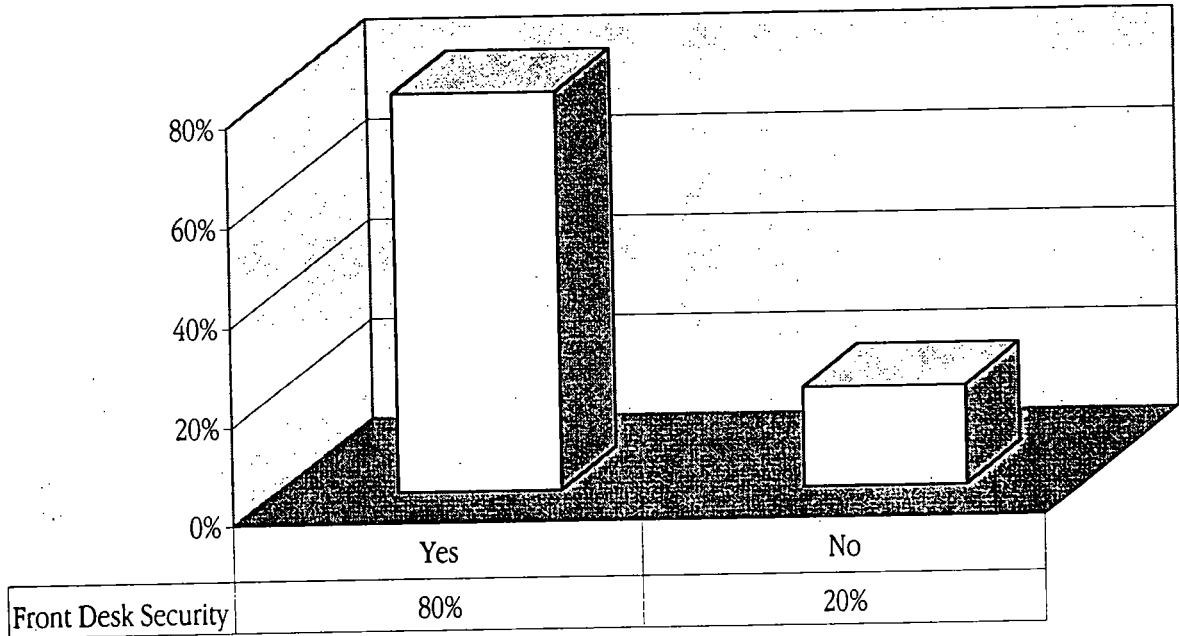


CHART 12

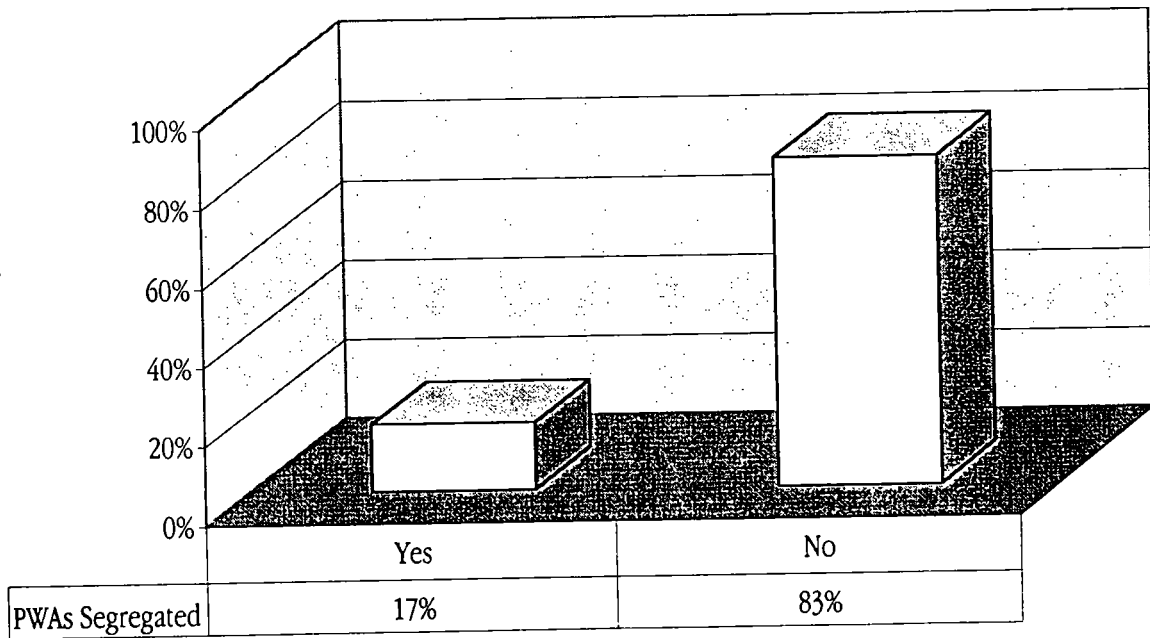


CHART 13

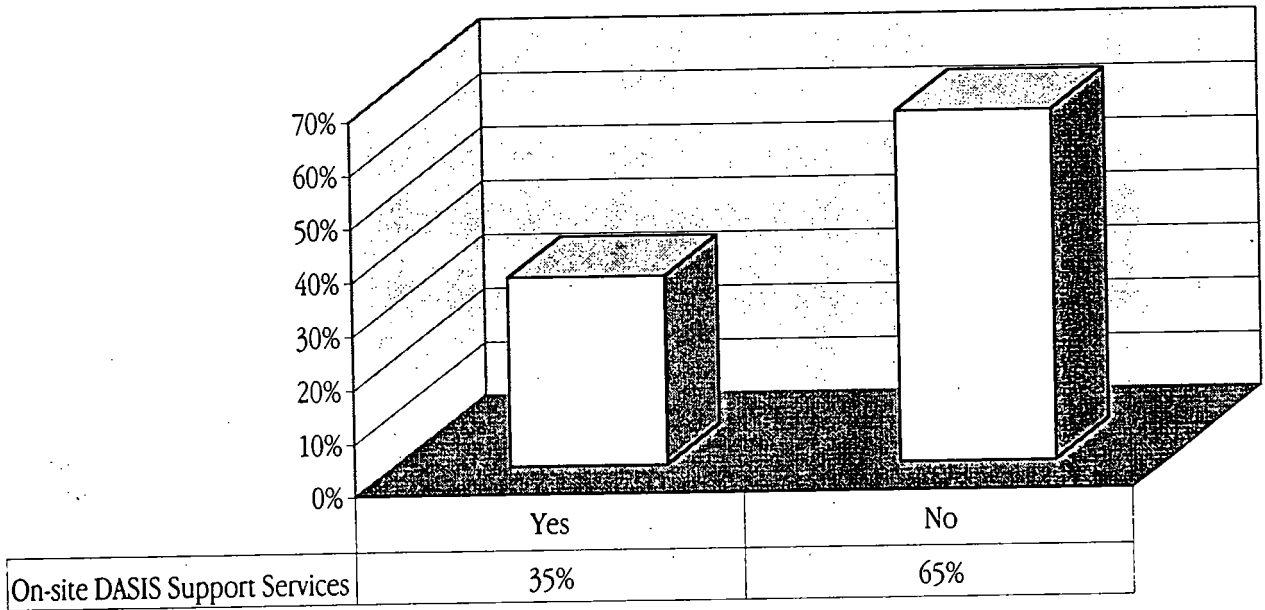


CHART 14

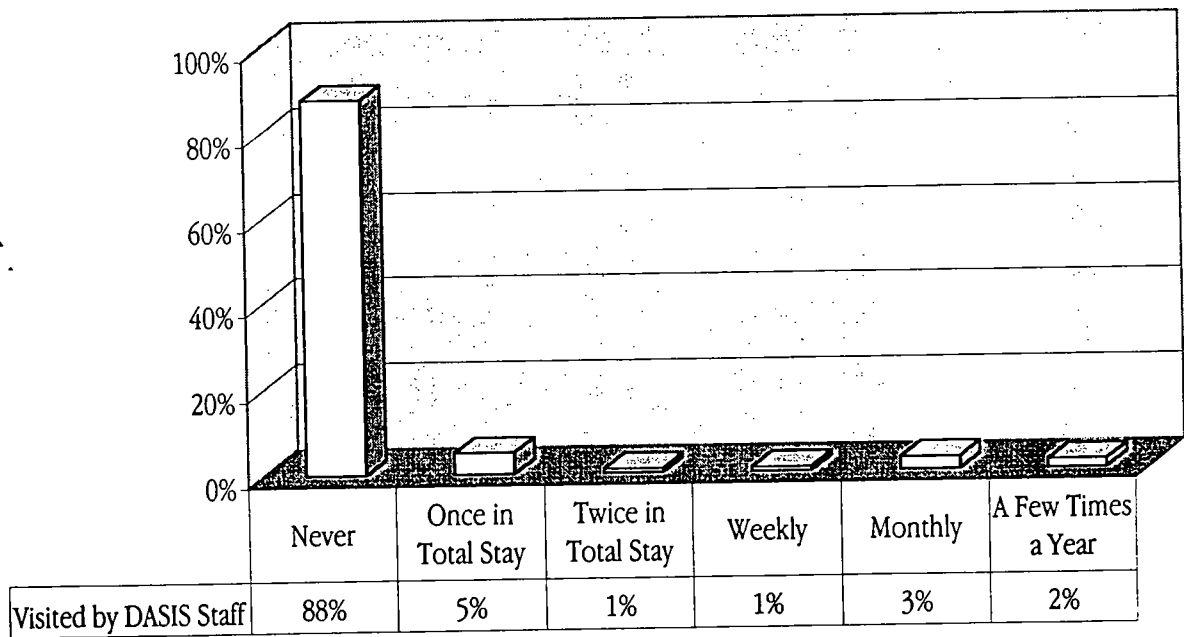


CHART 15

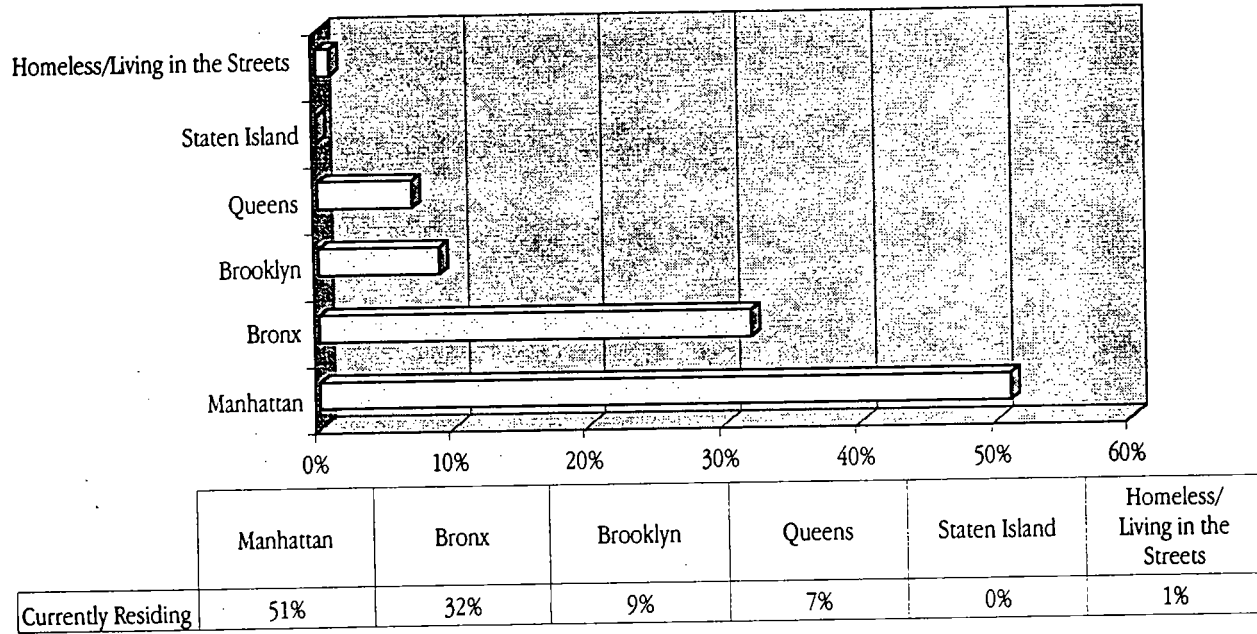


CHART 16

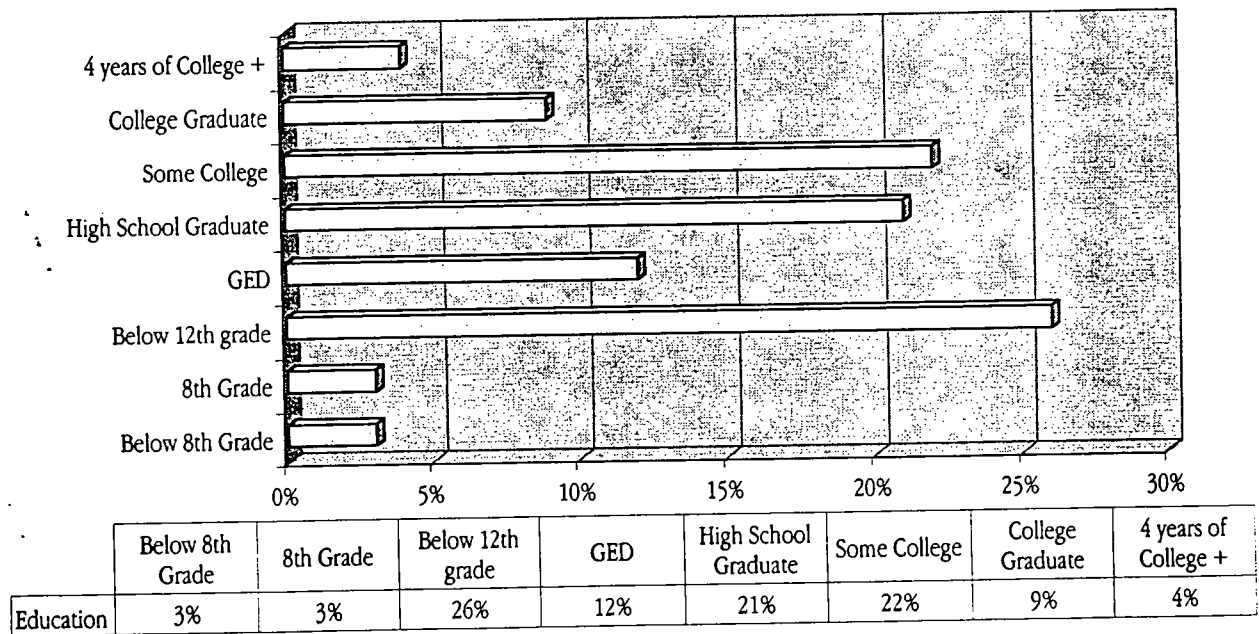
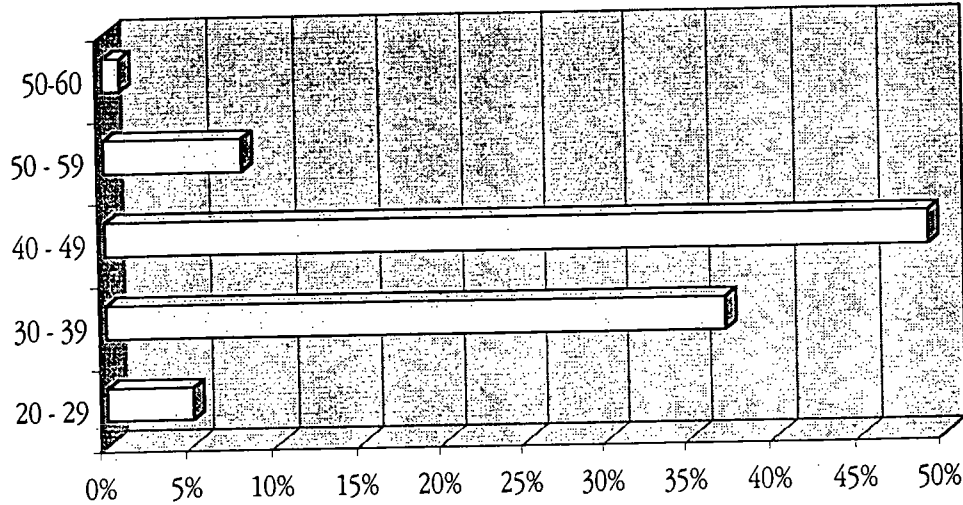
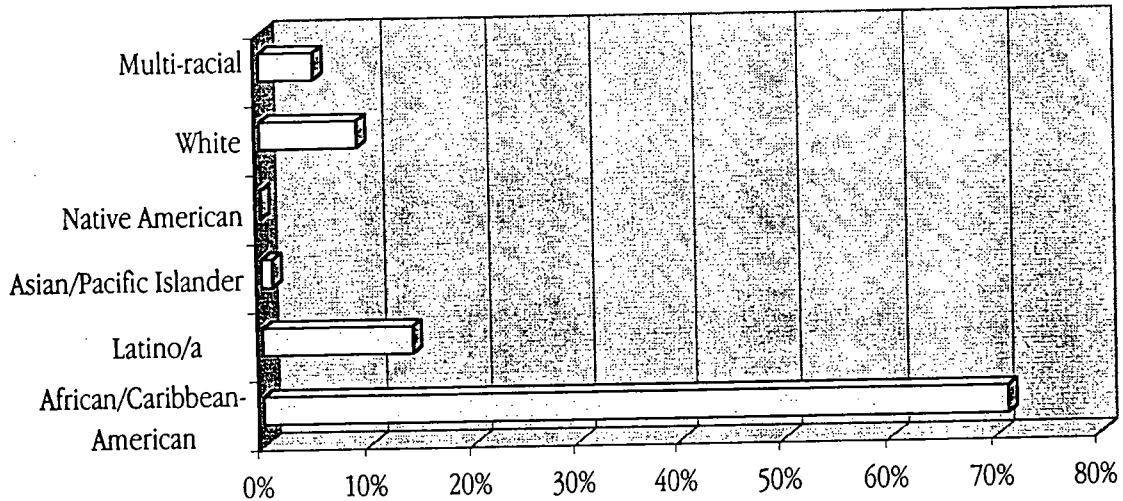


CHART 17



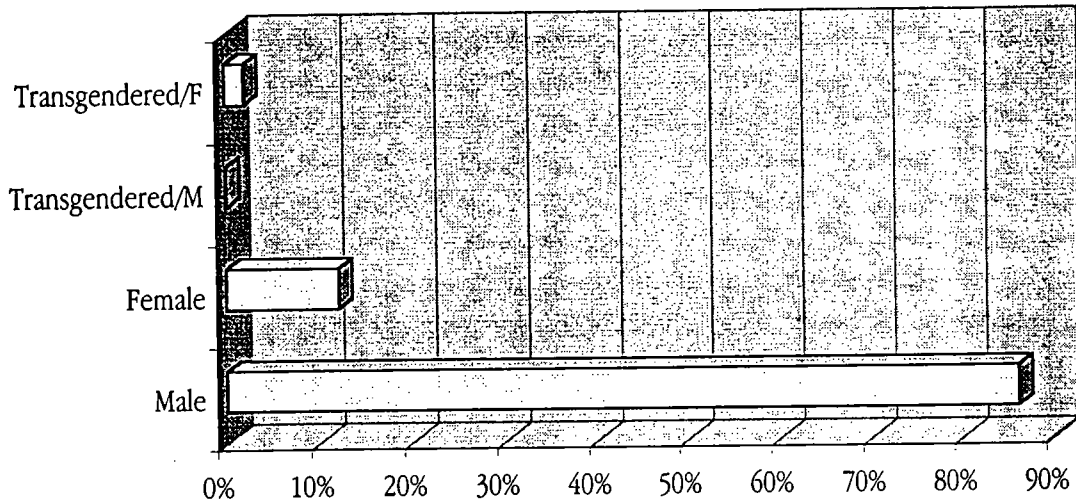
	20 - 29	30 - 39	40 - 49	50 - 59	50-60
Age Ranges	5%	37%	49%	8%	1%

CHART 18



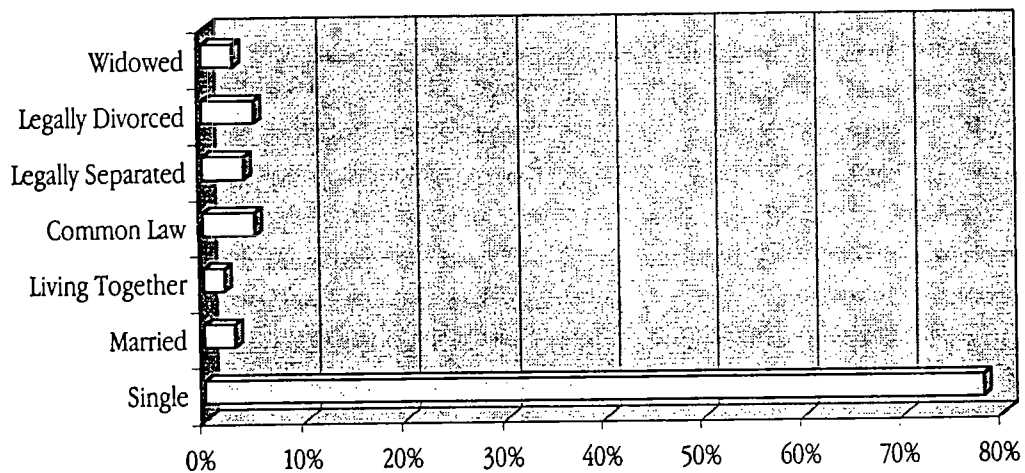
	African/Caribbean-American	Latino/a	Asian/Pacific Islander	Native American	White	Multi-racial
Race/Ethnicity	71%	14%	1%	0%	9%	5%

CHART 19



	Male	Female	Transgendered/M	Transgendered/F
Gender	86%	12%	0%	2%

CHART 20



	Single	Married	Living Together	Common Law	Legally Separated	Legally Divorced	Widowed
Marital Status	78%	3%	2%	5%	4%	5%	3%

The List of DASIS Hotels Where Respondents Were Placed from 8/1998-8/1999

Hotel Names	Borough
16 th St. Residence	Jamaica, Queens
45 W 177 th St. Residence	Bronx
Allerton Hotel	Manhattan
Allerton Annex	Manhattan
Anthony Hotel	Bronx
Barbour Hotel	Manhattan
Bryant	Bronx
Cambridge	Manhattan
Camden Hotel	Manhattan
Carver Hotel	Bronx
Cavalier Hotel	Manhattan
Concourse 1 Hotel	Bronx
Concourse	Bronx
Creston Hotel	Bronx
Crotona Park Transitional Residence	Bronx
Crown Hotel	Manhattan
Davidson Hotel	Bronx
Foundation House	Manhattan
Hamilton House	Manhattan
Harry Simmons Residence	Manhattan
Hayden Hall	Manhattan
Holland House	Manhattan
James House	Bronx
Kenmore Hotel	Manhattan
Los Vecinos	Manhattan
Marion Hotel	Manhattan
Mazel	Manhattan
Mt. Eden	Bronx
New Era Veterans	Bronx
Old Broadway	Manhattan
Omega	Brooklyn
Paradise Hotel	Bronx
Park Overlook	Bronx
Prospect Hotel	Bronx
Riverside Hotel	Manhattan
Seton Hotel	Manhattan
St. Nicholas	Manhattan
Stebbins Hotel	Bronx
Times Square Hotel	Manhattan
University	Bronx

Hotel Names	Borough
Veterans Residence	Manhattan
Webster Hotel	Bronx
1101 Westchester Residence	Bronx
Yale Hotel	Manhattan
YMCA – 12 Towns	Brooklyn
YMCA – Flushing	Flushing, Queens
YMCA–Harlem	Manhattan
YMCA –Central Queens	Jamaica, Queens
YMCA – McBurney	Manhattan

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

**Human Resources Administration's
Division of AIDS Services and Income Support's
Controls Over Payments to Privately Owned
Hotels for DASIS Clients**

ME97-181A

EXECUTIVE SUMMARY

Background

The Human Resources Administration's (HRA) Division of AIDS Services and Income Support (DASIS) provides a broad range of housing services to medically eligible persons living with Acquired Immune Deficiency Syndrome (AIDS) or Human Immunodeficiency Virus (HIV) illnesses. The DASIS housing program serves a twofold purpose. DASIS provides rental assistance to clients who are able to remain in their own homes. In addition, if a client is homeless, DASIS provides a broad range of programs and services, including income support, permanent housing, and emergency housing. Homeless clients are placed either in Commercial Single Room Occupancy (SRO) hotels or Supported SRO hotels.¹ Since emergency housing is one of the most critical services provided by DASIS, this audit focused on the program that provides emergency (temporary) housing through the Commercial SRO hotels. DASIS has a "gentlemen's agreement" with the Commercial SRO hotels and has entered into written contracts with the Supported SRO hotels. During fiscal year 1997, DASIS placed clients in 46 Commercial SRO hotels and 7 Supported SRO hotels.

¹Supported SRO hotels are operated by Not-For-Profit Community-based Organizations and provide not only emergency housing, but also a range of other services such as counseling, legal services, substance-abuse treatment, and a nutrition/meals program. These hotels have entered into contracts with the City of New York.

The Commercial SRO hotels that provide emergency housing to DASIS clients are privately owned. When clients are placed in the Commercial SRO hotels, payments for the housing services are sent directly to the hotels via the Electronic Payment Funds Transfer (EPFT) system. When DASIS clients are placed in Supported SRO hotels, contracted payments are made using the Contracted Agency's Monthly Financial Report (CAMFR) billing/payment system. This audit focused on the controls over payments to the Commercial SRO hotels.

As of May 1997, DASIS used the 46 Commercial SRO hotels to house 4,198 clients at a cost of approximately \$16 million.

Objectives

The objectives of this audit were to determine:

- Whether DASIS' internal controls were adequate to provide housing services to eligible clients only;
- Whether DASIS' policies and procedures effectively facilitated the tracking of clients placed in Commercial SRO hotels; and
- Whether adequate living conditions existed at the Commercial SRO hotels that housed the DASIS clients.

Scope and Methodology

To achieve our audit objectives, we reviewed DASIS' payment records for fiscal year 1997 (July 1, 1996, through June 30, 1997).

To understand the operations of the DASIS program, we interviewed some DASIS staff members, including the Associate Director of the Emergency Placement Unit, the Director of Housing, the DAS/MIS Systems Developer, the Eligibility Supervisor, the Assessment Unit Supervisor, and the Director of the Billing Unit.

To determine whether DASIS' access and password controls were adequate to protect the AIDS Information Retrieval System (AIRS) billing process (including its data, program, and payment files), our Electronic Data Processing (EDP) audit division obtained and reviewed all

AIRS user profile accounts. Specifically, to determine how unauthorized payment transactions could occur, the EDP Unit evaluated each user's level of access and privileges to ascertain whether the level of access was appropriate for the staff person's responsibilities.

To see whether DASIS paid for concurrent stays for any client in more than one DASIS hotel during the same period of time, which would constitute overlapping payments, our EDP Unit compared each client's name and lodging period against all other client names for all hotels in the population. In addition, EDP reviewed each client's Social Security number to make sure the numbers were legitimate.

To determine whether living conditions in the Commercial SRO hotels were in compliance with the standards set forth in Title 18 of the Social Services Law, we randomly selected a sample of 16 hotels from the 46 hotels used by DASIS clients (as of May 1997) and conducted unannounced field visits. We interviewed 135 clients and visually inspected the hotels. We also reviewed the most recent hotel inspection reports issued by the Department of Health and the Department of Housing Preservation and Development for each hotel.

To determine whether case managers were regularly conducting field visits to the 135 clients we interviewed, we obtained case records and reviewed history sheets to identify the kind of contacts these clients had with a case manager.

To evaluate DASIS' procedures for tracking clients placed in the hotels, we compared our interview logs with the AIRS Billing System's payment records. We then checked to see if the names of the 135 clients we interviewed appeared on the check registers at the time of our field visits, which would confirm they were DASIS clients.

To evaluate DASIS' procedures for tracking clients residing in the hotels, we reviewed the Commercial SRO hotel registries for the 16 hotels to see whether they were signed and submitted on a weekly basis.

To determine whether DASIS' internal controls provided reasonable assurance that services paid for were provided to DASIS clients, we selected a random sample of 6 hotels from the original sample of 16 hotels and compared the names of the clients listed on the hotel registries to the names on the AIRS Billing System's payment records to confirm client hotel stays.

To determine whether DASIS made payments to the hotels for clients who may have been incarcerated during a period when service was provided, we obtained information from the NYC Department of Correction regarding the status and length of incarceration of any DASIS clients. This information was then compared to the data in the AIRS Billing System.

Also, we wanted to determine whether payments were made to the hotels for deceased individuals. To do this, we compared the list of clients who stayed in the hotels for fiscal year 1997 to the Department of Health and Social Security's death records for the same period.

Results in Brief

Our review of the Human Resources Administration's (HRA) Division of AIDS Services and Income Support (DASIS) revealed that DASIS provided emergency housing and essential social and financial services to medically eligible persons living with AIDS. However, we found internal control weaknesses within DASIS' AIRS Billing System, which issues payments to the Commercial SRO hotels.

Specifically, when testing the reliability of the data in the AIRS Billing System, we found the following weak internal controls:

- Too many AIRS users had override access rights.
- Payments rejected by the billing system were overridden and paid to the Commercial SRO hotels without the proper approvals.
- Users were allowed to have revealed passwords; encrypted passwords are required for adequate controls in any security system.
- Users were allowed to maintain account passwords without having to change them on a regular basis.

In addition, we visited the hotels to document the living conditions for DASIS' clients. Our visits revealed that these conditions were unsatisfactory and unsafe. We found that:

- The hotels were not in compliance with Title 18 standards that require them to provide

satisfactory maintenance, housekeeping, vermin control, and security.

- Many of the hotels visited had violations issued by HPD and DOH. For 9 hotels, 53 of the 83 HPD violations cited were classified as hazardous. For 5 hotels, 71 of the 101 DOH violations cited were for poor maintenance.

We also analyzed DASIS' Billing Unit's function and identified control weaknesses. Specifically, we found that:

- DASIS is conducting business with Commercial SRO hotels without a written contract.
- One hundred and thirty four payments were made to hotels for services provided after a client's date of death.
- DASIS does not have a policy and procedures manual that has been formally adopted and approved by management.
- Hotel registries are not always being used as verification of residence.

This report makes 16 recommendations to DASIS, some of which are listed below.

DASIS should:

- Reduce the number of staff members with override access to the AIRS billing information.
- Develop a suspense file to retain a record of all overridden/rejected billing items. Prior to the issuance of payments to hotels, the Billing Unit should review this file to ensure proper disposition of rejected payments.
- Re-program the AIRS Billing System to prevent future overlapping payments. The system should be able to detect data inconsistencies and/or errors and duplicate payment requests from hotels and reject these payments.
- Restructure the administration of its program so that a case manager is on-site at each privately owned hotel to monitor compliance with Title 18 of the Social Services Law.

- Select contractors, enter into written contracts with the hotels that provide housing for its clients, and register these contracts with the Comptroller's Office, in accordance with the Procurement Policy Board Rules.
- Recoup the overpayments made to the Commercial SRO hotels for all deceased clients.
- Ensure that senior management, working in concert with the Director of the Billing Unit, develops a procedures manual for the Billing Unit.

Agency Response

The matters covered in this report were discussed with HRA officials during, and at the conclusion of, the audit. A preliminary draft report was sent to HRA officials and was discussed at an exit conference held on June 22, 1998. After the exit conference, additional field work was conducted to review records that were not made available during the audit. On August 31, 1998, we submitted a draft report to HRA officials with a request for comments. We received a written response from HRA on September 16, 1998. The agency agreed with three findings, partially agreed with three other findings, and disagreed with two findings.

HRA prefaced its response to the audit with the following:

"HRA would like to express its dissatisfaction with the methods used by the NYC Comptroller's Office in gathering information used in the audit. The auditors interviewed 135 clients to determine whether case managers were regularly conducting field visits. When HRA requested the names of these 135 clients, your office did not provide them. We still have not yet been provided with the list. We are again requesting that the names of the clients interviewed be provided to us."

Auditors' Comments: The audit team did provide HRA with the names of the clients interviewed during our visits to DASIS hotels. To maintain the integrity of the testing process, we provided HRA with the names of 200 clients. This list included the 135 clients we interviewed during our visits and 65 other clients we attempted to

interview. This methodology was discussed with HRA before the team began the final audit test. In fact, the final tests could not have been completed without HRA being notified of the names of the clients interviewed since our tests required HRA officials to locate and retrieve the clients' files for our audit team.

In addition, HRA stated that:

" . . . the Audit Manager was asked to provide the name of the staff person to whom the request for the records was made. She admitted that she relied on an unnamed low-level staff person's claim that the files were unavailable but could not even provide us with that person's name."

Auditors' Comments: During the exit conference and subsequent meetings, we stated that we requested the client records from the agency representative--a DASIS supervisor--identified by the audit liaison. We confirmed with her supervisor, the Director of Field Operations, the circumstances that hampered access to the records. Finally, on July 15, 1998, we provided HRA's Director of Audit Coordination with the name of the HRA official from whom we requested the client records.

This audit resulted in 16 recommendations. HRA agreed with 13 recommendations, stating that it has already implemented or is the process of implementing them. They partially agreed with the recommendation to reprogram the AIRS Billing System to prevent overlapping payments, stating that ". . . we are not sure improvements will be cost effective."

They disagreed with our recommendation that they enter into contracts with the hotels, and stated that ". . . Clients referred to a hotel are entitled to a public assistance emergency shelter allowance with which to pay their rent. . . . This shelter allowance does not constitute City funds. . . ." (See p. 25 of this report for a detailed legal analysis supporting our position and recommendation.)

They also disagreed with our recommendation that they ensure that case managers obtain all of the proper signatures on the Commercial SRO Hotel Registry, stating that ". . . Case managers are not responsible for obtaining client signatures on the Hotel Registry. It is the responsibility of the hotel managers to ensure that clients sign in. . . ."

The full text of HRA's comments is included as an addendum to this report.

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ADDENDUM

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

**Human Resources Administration's
Division of AIDS Services and Income Support's
Controls Over Payments to Privately Owned
Hotels for DASIS Clients**

ME97-181A

INTRODUCTION

Background

The Human Resources Administration's (HRA) Division of AIDS Services and Income Support (DASIS) provides a broad range of housing services to medically eligible persons living with Acquired Immune Deficiency Syndrome (AIDS) or Human Immunodeficiency Virus (HIV) illnesses. The DASIS housing program serves a twofold purpose. DASIS provides rental assistance to clients who are able to remain in their own homes. In addition, if a client is homeless, DASIS provides a broad range of programs and services, including income support, permanent housing, and emergency housing. Homeless clients are placed either in Commercial Single Room Occupancy (SRO) hotels or Supported SRO hotels.¹ Since emergency housing is one of the most critical services provided by DASIS, this audit focused on the program that provides emergency (temporary) housing through the Commercial SRO hotels. DASIS has a "gentlemen's agreement" with the Commercial SRO hotels and has entered into written contracts with the Supported SRO hotels. During fiscal year 1997, DASIS placed clients in 46 Commercial SRO hotels and 7 Supported SRO hotels.

The Commercial SRO hotels that provide emergency housing to DASIS clients are privately owned. The AIDS Information Retrieval System (AIRS) checks each client's public-assistance status on the Welfare Management System to ensure that each client's case is active. When clients are placed in the Commercial SRO hotels, payments for the housing services are sent directly to the hotels via the Electronic Payment Funds Transfer (EPFT) system. When DASIS clients are placed in Supported SRO hotels, contracted payments are made using the Contracted Agency's Monthly Financial

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Report (CAMFR) billing/payment system. This audit focused on the controls over payments to the Commercial SRO hotels.

DASIS also works with other government agencies to help its homeless clients gain access to permanent housing and to provide follow-up services, including case management and counseling services to many of the individuals relocated to permanent housing.

As of May 1997, DASIS used the 46 Commercial SRO hotels to house 4,198 clients at a cost of approximately \$16 million.

Objectives

The objectives of this audit were to determine:

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Also, we wanted to determine whether payments were made to the hotels for deceased individuals. To do this, we compared the list of clients who stayed in the hotels for fiscal year 1997 to the Department of Health and Social Security's death records for the same period.

Our audit was conducted in accordance with Generally Accepted Government Auditing Standards (GAGAS) and included tests of records and other auditing procedures we considered necessary. The audit was performed in accordance with the City Comptroller's audit responsibilities as set forth in Chapter 5, Section 93, of the New York City Charter.

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OFFICE OF THE COMPTROLLER
NEW YORK CITY

OCT 16 1998

DATE FILED: _____

AUDIT FINDINGS AND RECOMMENDATIONS

Our review of the Human Resources Administration's (HRA) Division of AIDS Services and Income Support (DASIS) revealed that DASIS provided emergency housing and essential social and financial services to medically eligible persons living with AIDS. However, we found internal control weaknesses within DASIS' AIRS Billing System, which issues payments to the Commercial SRO hotels.

Specifically, when testing the reliability of the data in the AIRS Billing System, we found the following weak internal controls:

- Too many AIRS users had override access rights.
- Payments rejected by the billing system were overridden and paid to the Commercial SRO hotels without the proper approvals.
- Users were allowed to have revealed passwords; encrypted passwords are required for adequate controls in any security system.
- Users were allowed to maintain account passwords without having to change them on a regular basis.

In addition, we visited the hotels to document the living conditions for DASIS' clients. Our visits revealed that these conditions were unsatisfactory and unsafe. We found that:

- The hotels were not in compliance with Title 18 standards that require them to provide satisfactory maintenance, housekeeping, vermin control, and security.
- Many of the hotels visited had violations issued by HPD and DOH. For 9 hotels, 53 of the 83 HPD violations cited were classified as hazardous. For 5 hotels, 71 of the 101 DOH violations cited were for poor maintenance.

We also analyzed DASIS' Billing Unit's function and identified control weaknesses. Specifically, we found that:

- DASIS is conducting business with Commercial SRO hotels without a written contract.
- One hundred and thirty-four payments were made to hotels for services provided after a client's date of death.
- DASIS does not have a policy and procedures manual that has been formally adopted and approved by management.
- Hotel registries are not always being used as verification of residence.

The next sections of this report discuss these issues in greater detail.

Weak Controls Within the AIRS Billing System

While reviewing the adequacy of DASIS' Billing Unit's controls over payments to Commercial SRO hotels, we found irregularities with the AIRS Billing System. Our review did not identify any patterns intentionally directing payments to specific hotels; however, we did find control weaknesses. Specifically, we discovered that hotel payment requests rejected by the billing system were manually overridden and payments were made to hotels without the approval of the Billing Unit. Our analysis of their override control log indicated that overrides totaling approximately \$430,000 were made from January 1997 through July 1997.

At the beginning of a billing cycle, AIRS produces a prepayment register for each hotel. When a bill is received from a hotel, the information on the bill is checked against the prepayment register. The register is then checked against the Welfare Management System and two reports are generated. The first report is the check register, which lists all payments made; the second is the rejection report, which lists all payments rejected because the prepayment register did not match information in the Welfare Management System. To reconcile the rejection report, the Billing Unit must review the information in AIRS and then, if it determines that payment should be made, manually override the AIRS Billing System so that the rejected payment will be paid during the next billing cycle.

According to the Director of the Billing Unit, only the Director and the Supervisor of the Billing Unit are authorized to make changes in the AIRS Billing System to override a rejected payment to a hotel. All overrides are noted in an override-monitoring log. Unauthorized overrides were first identified when the Billing Unit instituted a procedure requiring the reconciliation of their override-monitoring log with the following month's check register. The problem of unauthorized overrides was previously identified in an April 1997 HRA internal audit report entitled *A Review of the Division of AIDS Services' Payment System for Single Room Occupancy Hotels*.

To determine whether these system overrides could be attributed to weaknesses in the controls instituted for AIRS, our Electronic Data Processing Unit (EDP) performed a review of the 473 user accounts that have access to the AIRS Billing System. They found weaknesses in the security of AIRS. For example, when the LAN administrator provided us with the security report for all the user accounts, the report contained all the users' passwords. For adequate controls in any security system, no one should know a user's password except the user. Therefore, the passwords on this report should have been encrypted.

In addition, the user account passwords are not changed on a regular basis. We found that 67 percent of the passwords used were the user's last name. Generally, the last name is used as the password when it is first issued. The AIRS system should prompt users to change their passwords on a regular basis to ensure the integrity of the system. If the password is not changed, anyone who knows a user's last name can gain access to AIRS. The practice of using the user's last name as the password is compounded for individuals who have two or more user accounts. In fact, we found 81 individuals with more than one account that used the same password for each.

Since our goal was to identify the cause of the unauthorized overrides of rejected payments, we wanted to find out who had access to the override function of the billing system. We identified 14 users who had override access that would allow them to add, change, or delete a record or file in AIRS. We reviewed the names, titles, and job responsibilities of the users to determine whether their level of access was necessary for the jobs they performed. We found that only 4 of the 14 people with override privileges required this level of access to do their job. The following is a list of the people who should not have had access to the override function of the billing system:

- An MIS programmer;
- a clerical associate responsible for tracking hotel placements;
- the secretary to the Director of Administrative Operations;
- a clerical associate responsible for receiving and reporting hotel room vacancies;
- the AIRS Liaison responsible for the maintenance, update, and accuracy of the AIRS management information system; and
- the staff analyst of the Emergency Placement Unit responsible for reconciling the hotel rosters.

In addition to having too many users with override access, AIRS does not generate an audit trail. AIRS does not assign each user's name to the user profile account, nor does AIRS have a suspense file for the billing system. If the system assigned the user's name to the user profile account and then established a suspense file, there would be an audit trail for all overridden transactions. This suspense file would indicate who is overriding the rejected billing information, the time of the override, and what rejected records were overridden, which would allow management to determine the origin and validity of the override.

Our analysis of the AIRS billing system indicates that the overrides can probably be attributed to the many security weaknesses inherent in the current billing system. DASIS must develop effective controls to safeguard against unauthorized access to AIRS. Effective controls would reduce the risk to the AIRS billing data of damage, destruction, or manipulation by unauthorized personnel. In addition, these controls would reduce the possibility of theft or misappropriation of funds.

Agency Response: "HRA partially agrees with this finding. Of the total AIRS users at DASIS the audit identified fourteen users who had override access. Of the fourteen, the audit described the job functions of six users who should not have had access to the override function of the billing system. In fact, two of the six identified never had access to the override function. Of the four remaining, none now have override access. Currently only two users have override access, and these are the Director and the Assistant Director of the Billing Unit."

Auditors' Comments: The EDP Audit Unit of the NYC Comptroller's Office, obtained and reviewed the AIRS Billing System's user report produced by HRA's MIS Unit. This report contained information on those users with access to the AIRS billing programs and indicated which users could perform inquiry, add, change, and delete client data in the various AIRS billing programs. Although we found that users could enter data into the AIRS Billing System, we agree that two users did not have the ability to change client payment information. However, the point of this finding remains the same. The data in the AIRS system was not secure. To safeguard the data in the billing system, HRA management should continue to be aware of the weaknesses in the AIRS billing system (e.g., absence of an audit trail, poor password controls, etc.) when it provides access to the data in the system to users.

Recommendations

To enhance security controls for AIRS, DASIS should:

1. Encrypt all user passwords on the AIRS system.

Agency Response: "HRA agrees with this recommendation and has encrypted passwords on AIRS since 1988. The only persons with knowledge of a user's password are the user, the user's supervisor (if the user shares the information with their supervisor) and MIS. It is our intention to continue our long standing practice of encrypting the passwords on the AIRS billing system."

Auditors' Comments: HRA's response indicates that it believes that all AIRS passwords are encrypted and secure and that supervisor and MIS access to the user password does not compromise the security of the AIRS system. We disagree. The reports we received from MIS contained the user's unencrypted password. A user password is not secure if anyone other than the user has access to it. The supervisors and MIS staff should not have access to a user's password. This exposure allows MIS staff/users to access the system under the identity of a particular user, which compromises the system's security and invalidates audit trails. The U.S Department of Commerce manual entitled, "Generally Accepted Principles and Practices for Securing Information Technology Systems" § 3.11.2 states that, "An organization should restrict access to authentication data (passwords). Authentication data should be protected with access controls and one-way encryption to prevent unauthorized individuals, including system administrators, or hackers from obtaining the data."

2. Reduce the number of staff members with override access to the AIRS billing information.

Agency Response: "HRA agrees with this recommendation and implemented it during FY' 1998. Only two people presently have override access to the AIRS Billing information, and these are the Director and the Assistant Director of the Billing Unit."

3. Assign each user's name to a user profile account for the purposes of establishing an audit trail that would enable the Billing Unit to identify which user made changes to the billing information.

Agency Response: "HRA agrees with this recommendation. The Office of Management Information System (MIS) is now developing the specifications for doing this in the AIRS, Homemaking, and Billing programs. The target date for implementation is October 31, 1998."

4. Develop a suspense file to retain a record of all overridden rejected billing items. Prior to the issuance of payments to hotels, the Billing Unit should review this file to ensure proper disposition of rejected payments.

Agency Response: "HRA agrees with this recommendation. DASIS billing unit staff reviews the rejection list and verifies the list against WMS to ascertain whether there has been a status change. If the P.A. case is closed no payment is made. If however the P.A. case is open and it is within three months of initial placement or previous case closure, then the rejection is overridden and the bill is paid. Regarding the suspense file, MIS is developing specifications for such a file and we expect implementation to be October 31, 1998."

5. Re-program the AIRS system to prompt users to change their passwords on a regular basis.

Agency Response: "HRA agrees with this recommendation. DASIS has requested this system enhancement and MIS is the process of developing it. It is scheduled for implementation by October 31, 1998."

AIRS Billing System Allows Overlapping Payments

Our analysis of the payments made to the Commercial SRO hotels for services provided to DASIS' clients revealed another control weakness. Specifically, DASIS paid to have clients housed at two different locations during the same billing period. We identified four overlapping payments totaling \$291 that were made through the AIRS Billing System during fiscal year 1997. These payments, while not significant when compared to the \$16 million spent to house DASIS clients, are relevant in so far as they relate to the absence of controls in the AIRS Billing System.

The AIRS Billing System should have been programmed to prevent overlapping payments. Payments should be rejected if AIRS attempts to make payment for the same client, for the same billing period. The system should also reject payments if the client's information does not match the information in the system (i.e., client's name, Social Security number, hotel name, etc.).

We reviewed 20,453 payment transactions that were made through the AIRS Billing System and identified four overlapping payments. The following table details the overlapping payments.

TABLE I

Overlapping Payments Made for Clients to Different
Hotels for the Same Billing Period

Client	Hotel Name	Billing Period	Hotel Name	Billing Period	Over-Payment Amount
1	McBurney YMCA	04/02/97 to 04/27/97	Allerton House	04/01/97 to 04/02/97	\$69.30
2	James House	01/27/97 to 01/31/97	Hoe Avenue 1	01/27/97 to 01/31/97	\$125.00
3 and 4*	Praxis Barbour	05/01/97 to 05/31/97	Allerton House	05/30/97 to 05/31/97	\$69.30
	Allerton House	06/01/97 to 06/05/97	Praxis Barbour	06/01/97 to 06/01/97	\$27.00

*Clients #3 and #4 are the same DASIS client. Therefore, DASIS made two overlapping payments for one client.

Table I illustrates the occurrence of overlapping payments in the AIRS Billing System. After reviewing the four overlapping payments, we noticed that all of the information within AIRS was identical, even a portion of the billing periods. The only difference was the hotels that received payment. If the AIRS Billing System were programmed properly, these payments would have been rejected and subject to further review.

We asked the Director from DASIS' SRO Billing Unit to explain why these overlapping payments occurred. The Director's written explanation appears on the following page.

- Client #1 - The placement history indicates this client was placed in McBurney YMCA and the Allerton Hotel for the same billing period. This resulted in a \$69.30 single day overpayment. This was an unnoticed system-related error.
- Client #2 - This client was erroneously placed in James House. As a result, payment was made to James House instead of to HOE Avenue 1 Hotel. DASIS' attempt to recoup the \$125 overpayment from James House was unsuccessful because DASIS did not correct the information in AIRS in a timely manner.
- Clients #3 and #4 are the same client; two separate overlapping payments were made on his behalf. The first \$69.30 overpayment was made to the Allerton Hotel for a

two-day stay, while the client resided in the Praxis Barbour Hotel. The second overpayment for \$27 was made to the Praxis Barbour Hotel for a one-day stay, while the client resided in the Allerton for five days. This second overpayment was an unnoticed system-related error identical to the one that occurred with client #1.

Based on the written explanation by the Director, he agreed that these overlapping payments were erroneous. In fact, he acknowledged that the AIRS Billing System allowed these overlapping payments to occur.

The weaknesses in the AIRS Billing System allowed these overlapping payments to go undetected. As a result, payments were made to the hotels, when they should have been rejected. Since we only analyzed the payments for fiscal year 1997, other overlapping payments could have occurred for other fiscal years.

Agency Response: "HRA disagrees with this finding. The AIRS system has been designed to prevent overlapping payments. However, there were four transactions out of 19,709 payments during the audited period where overlapping payments occurred. . . In two of the four cases, DASIS staff uncovered the overpayment during an internal audit one-month after both overpayments occurred. . . . This minimal error rate signifies accuracy already achieved in the system".

Auditors' Comments: If the AIRS system were designed to prevent overlapping payments, as stated in HRA's response, we would not have identified any overlapping payments during the audit. HRA also stated that these overpayments were identified during an internal audit after the payments were made to the hotels. These errors should have been detected before any payments were made, not after. Therefore, we emphasize again that since the system is not designed to reject overlapping payments, fraudulent payments could be processed through the billing system. We urge HRA to reconsider its position on this matter.

Irregularities in Hotel Billing Information for Clients Admitted to Hotels On or After Their Date of Death

Weak internal controls make a system susceptible to fraud or misuse and to the production of unreliable information. During this audit, we identified 134 deceased clients for whom DASIS made payments during our audit period. These 134 cases will be discussed in greater detail later in this report. However,

according to AIRS, 4 of the 134 deceased clients were admitted to the hotels on or after the client's date of death. A review of the AIRS files reveals that payments totaling \$4,122 were made to house these 4 deceased clients. The details of this review can be found in the following table.

TABLE II

Client Admission Date Occurred On or After Date of Death

Client #	Hotel	Date of Death	Admission Date	Date Payment Began	Payment Ending Date	Improper Payment Amount
1	Davidson	12-29-95	12-29-95	12-29-95	1-16-96	\$405
2	Fordham	6-9-94	12-28-94	1-1-95	1-31-95	\$882
3	Monte Carlo	9-9-94	12-9-94	12-9-94	1-25-95	\$1,215
4	Hayden Hall	3-22-95	3-22-95	3-22-95	4-30-95	\$1,620
Total Overpayment						\$4,122

As shown in the table above, Client #1 was supposedly admitted on his date of death (December 29, 1995) and payments were made until January 16, 1996. Client #2 died in June 1994, but she was supposedly admitted to a hotel in December 1994 and payments were made for housing her through January 1995. Client #3 died on September 9, 1994, but he was supposedly admitted to a hotel three months after his date of death (December 1994) and payments were made to this hotel until January 25, 1995. Client #4 was supposedly admitted on his date of death (March 22, 1995) and payments were made through April 1995.

The AIRS system should be able to identify and reject payments made for services billed after the client's date of death. Weak controls in the AIRS Billing System have led not only to poor record-keeping practices, but also to the improper processing of hotel payments. As a result, the information contained in the system is not always an accurate representation of a client's history or an appropriate representation of the payments made by DASIS.

Agency Response: "HRA partially agrees with this finding. The following placement date information identified in the audit was incorrect . . . The Davidson Hotel: . . . AIRS indicates placement as December 27, 1995, not December 29 as stated in the report. The Hayden Hall Hotel: . . . AIRS indicates placement as of December

29, 1992. On March 22, 1995 the case manager requested that the room be closed due to the death of the client on the same day.

Concerning the remaining two hotels (the Fordham and the Monte Carlo) HRA agrees with the auditors' finding."

Auditors' Comments: According to the AIRS placement history screen, client #1 has two entrance dates. The first date was December 27, 1995 in room 4N1. On December 29, 1995, AIRS indicated that client #1 transferred from room 4N1 to room 3S2, and that the client resided in this room until January 17, 1996. This transfer was recorded as a new placement in the hotel. However, the Social Security Administration's death records indicate that the client expired on December 29, 1995. As a result, our statement that the client was admitted on his date of death and that the hotel was improperly paid for housing a DASIS client is supported by the information in the AIRS payment file.

Likewise for client #4, whom the AIRS billing system's payment file indicates was placed in Hayden Hall Hotel after his date of death. Even if two-party checks were the method of payment used, payment should be for placements that occur before a client's date of death. Thus, we found that the Hayden Hall Hotel was improperly paid to house client #4 after his date of death.

Recommendations

DASIS should:

6. Reprogram the AIRS Billing System to prevent future overlapping payments. The system should be able to detect data inconsistencies and/or errors and duplicate payment requests from hotels and reject these payments.

Agency Response: "HRA partially agrees with this recommendation. Given that the error rate is already so low (.001% during the audit period) we are not sure improvements will be cost effective. However, DASIS and MIS will review the System to see if the error rate can be reduced even further."

Auditors' Comments: The detection of this and other flaws in the system indicates that payment data can be compromised. The additional efforts required to re-program the system to eliminate this flaw are minimal.

7. Reprogram the AIRS Billing System to prevent payments on behalf of deceased clients when admittance and service dates occur after the client's date of death. Such payments should be rejected and reviewed by the Billing Unit.

Agency Response: "HRA agrees with this recommendation. However, the AIRS system depends on the notification of a client's death in order to disallow payments. At this time there is no electronic capacity to register dates of death upon notification to the New York City Department of Health. The Paperless Office System, which should be implemented in the agency by FY' 2000, will have this capacity."

Hotel Living Conditions Are Unsatisfactory

Our audit found that some DASIS clients are housed in unsanitary and unsafe conditions at various DASIS hotels. These clients are continuously housed in these facilities, even though the hotels have deficiencies in maintenance, housekeeping, vermin control, and physical security. The presence of these conditions violates Title 18 of the Social Services Law. For the purposes of our audit, we limited our review to information obtained through client interviews and auditor observations of the conditions at the various hotels.²

The standards for hotel living conditions, as stated in Title 18, Section 352.3, indicate that families should not be referred nor should reimbursement be made for facilities that do not make arrangements for maintenance, sanitation, and repair in a hotel. These arrangements include the provision of services for the removal of garbage, painting the facility once every five years, the maintenance of the electrical and plumbing systems, and a vermin-control program. Furthermore, each room must have an operational door, window locks, and a properly functioning refrigerator. In addition, HRA is required to inspect the hotels at least once every six months to verify that the hotels meet the Title 18 requirements, as well as the requirements of all other applicable laws or codes, before the hotels are paid.

During this audit, we made field visits to 16 of the 46 Commercial SRO hotels. We visited 492 rooms and interviewed 135

²Recently, the Mayor's Office of AIDS Policy Coordination contracted with a non-profit organization to conduct a study of the conditions of DASIS hotels. Their emphasis was on the criminal activities found in DASIS hotels. Our audit focused on an assessment of whether housing services were provided in accordance with Title 18 of the Social Services Law.

DASIS clients to determine whether these clients felt their living conditions were adequate and safe. We also observed the conditions of the hotels to verify statements made by the clients. The findings of our client surveys are illustrated in the following table.

TABLE III

Percentage of Clients With Quality of Life Issues at the Hotels

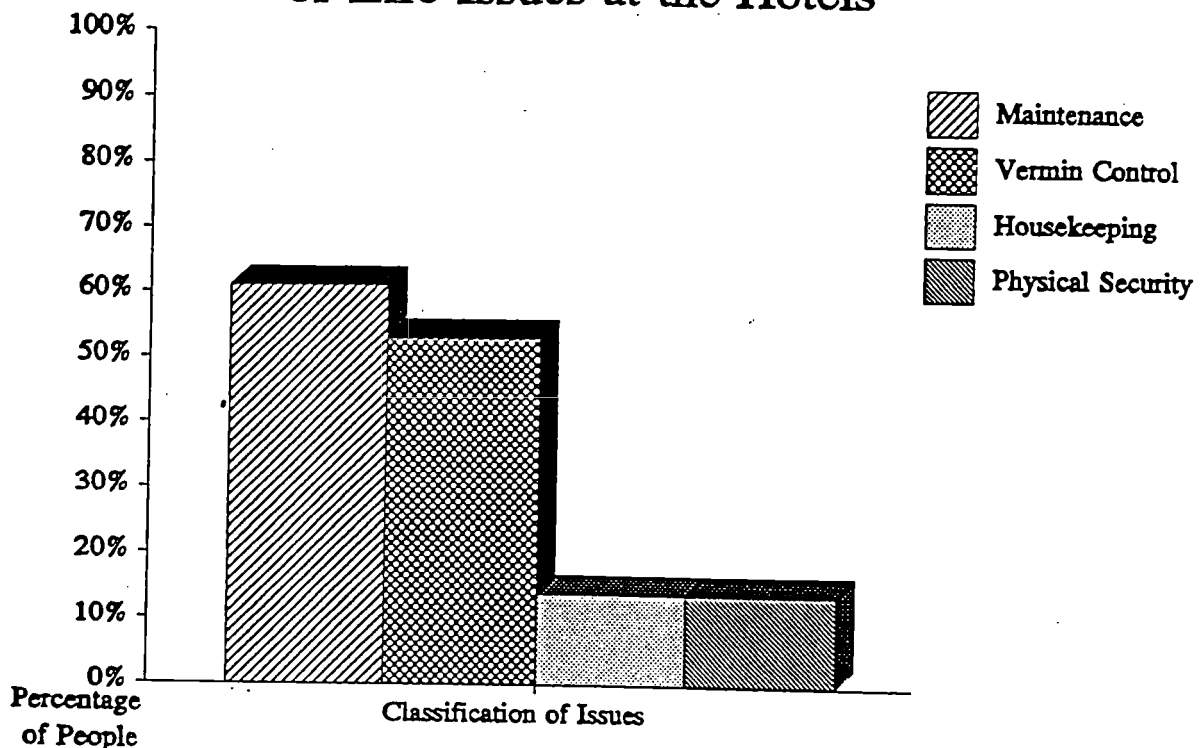


Table III classifies the problems identified by the clients at the Commercial SRO hotels. As shown, 61 percent of the 135 DASIS clients we interviewed were dissatisfied with hotel maintenance, 53 percent were dissatisfied with the hotels' vermin-control programs, 14 percent were dissatisfied with the hotels' housekeeping efforts, and 14 percent felt unsafe in the hotels. The conditions found when we visited the hotels in October 1997 are listed below.

- Maintenance/repairs - During our visit to the Marion hotel, we were able to gain access to nine communal kitchen areas. All nine areas had stoves that needed repair, including two stoves with gas leaks that went unaddressed by management when clients reported the situation. When we reviewed the October 1997 Health Department inspection

report, we did not find any violations involving the condition of the gas stoves.

- Vermin Control - During our visit to California Suites Hotel, we observed insect infestation in a hallway and on kitchen stoves. The Department of Housing Preservation and Development's (HPD) inspection report of June 2, 1997 indicated that the hotel was cited for non-removal of vermin.
- Housekeeping - During our visit to the Park Overlook Hotel, we noticed the residents cleaning the hallways on the fifth floor. They stated that they take turns maintaining the floor. When we reviewed the Health Department's inspection report, we found that the hotel had been cited for the same conditions we found on the fifth floor.

During our visit to California Suites Hotel, there were strong odors in the hallways, including a urine smell in the elevator and some hallways. The most recent HPD inspection report dated June 2, 1997, did not list violations for this housekeeping issue.³

- Security - During our visit to the Tikvah Hotel, the residents indicated that they felt unsafe because there is no one monitoring who enters the hotel. As a result, drug dealers enter the facility and can be found selling drugs in the hallways. This often leads to fights in the building. The residents also state that their windows and doors are not secure, and therefore outsiders have easy access to their rooms.

To determine whether the conditions we identified at these hotels were previously identified by other agencies, we reviewed the inspection reports issued by HPD's SRO Compliance Unit (SCU) and the Department of Health (DOH).⁴ These inspections are mandated by Title 18 of the Social Service Law, and they set minimum standards for hotels housing DASIS clients. These reports should be used to document the overall safety, cleanliness, and maintenance of the hotels. They should also be used as a tool to evaluate the quality of the services provided to DASIS clients before reimbursing the hotels for housing costs.

³HPD ensures that the hotels are in compliance with New York State Housing Maintenance Code and Multiple Dwelling Law.

⁴DOH checks to see that the hotels are in compliance with the NYC Health Code. DOH is usually called in to conduct the inspections when HPD considers the conditions to be a serious threat to the clients' health and safety.

We reviewed the inspection reports for the 16 Commercial SRO hotels sampled. These inspections were performed between May 1996 and October 1997; 11 hotels were inspected by HPD, and the remaining 5 were inspected by DOH because of the serious conditions found at the hotels. Our review of the inspection reports indicated 4 of the 16 hotels (the Flushing YMCA, the Creston Hotel, Old Broadway, and V&V Arms Hotel) were found to be in good condition and operating in accordance with Title 18 requirements.

After further reviewing the 11 HPD inspection reports, we found that only 2 hotels (the Tremont Hotel and the Flushing YMCA) had no new violations issued during our review period; while the remaining 9 hotels had a total of 83 new violations.⁵ HPD classifies these new violations as non-hazardous, hazardous, and immediately hazardous. The 83 new violations can be categorized as follows:

- 53 were hazardous;
- 28 were non-hazardous; and
- 2 were immediately hazardous.

For the remaining 5 hotels that were inspected by DOH, we found that 101 violations existed at the time of the inspections.⁶ The 101 violations issued can be categorized as follows:

- 71 were for maintenance;
- 15 were for structural problems;
- 10 were for vermin control; and
- 5 were for plumbing.

We are concerned that DASIS continues to place and pay to house its clients in these 14 hotels inspected by HPD and DOH, even though they are not in compliance with critical Title 18 requirements. Non-compliance with the minimum standards set forth in Title 18 jeopardizes the life, health, and safety of DASIS' clients. To improve the quality of life for its clients, DASIS should make sure that hotels are providing satisfactory maintenance, housekeeping, vermin control, and security as required by Title 18.

⁵The inspection reports contained outstanding violations and new violations for the hotels. We only focused on the new violations issued as per the most current inspections performed by both HPD and DOH.

⁶The DOH inspection reports do not distinguish between new violations and outstanding violations.

DASIS should ensure that case managers, who counsel clients and make sure that they are receiving all the services they need, visit clients at least once a month. Based on our interviews with clients, we found that the case managers generally do not visit their clients at the hotels. In fact, the clients usually have to go to their case manager's office. Since the case managers do not visit the clients at their hotels often, if at all, they cannot determine whether housing services are adequate.

In some instances there is a caseworker on site. Under the HOPWA program (Housing Opportunities for Persons with AIDS), a HOPWA caseworker is stationed at some hotels. However, this caseworker does not act in concert with the DASIS case managers responsible for the clients.⁷ During another audit conducted by this office entitled, *Audit Report on the Department of Homeless Services' Payment Procedure for Clients Housed in Privately Owned Hotels* (#ME97-184A), we found that DHS assigned case managers to the hotels. As a result, DHS' clients had more contact with their case managers and the hotels were generally in better condition than the hotels in the DASIS program.

The limited contact clients have with DASIS case managers and the absence of an on-site representative, we believe, has contributed to the adverse conditions we found at some of the hotels, which we confirmed by reviewing DOH and HPD inspection reports.

Subsequent Issues

During the exit conference, HRA officials agreed to provide access to records previously requested, but not provided, during the fieldwork stage of the audit. As a result, we were able to review client case records to determine whether they supported the clients' claims that case managers rarely visit clients at the hotels.

We reviewed the case records for the 135 clients interviewed during our visits to the 16 DASIS hotels. We found that the client case records supported the statements made by some of the clients interviewed during our field visits. Specifically, we reviewed the clients' history notes, which document the clients' interaction with their case managers, to determine how often the case managers visited the clients at the hotel. Table IV list the results of our review of the clients' case records.

⁷The HOPWA program is a Federal program designed to provide states and localities with resources and incentives to devise long-term comprehensive strategies for meeting the housing needs of persons with AIDS (or related diseases) and their families.

TABLE IV

Frequency of Case Manager Field Visits For 135 Clients
By Fiscal Year

For the 135 Case Records Reviewed:	FY 1997	FY 1998
Number of case records with history notes during the fiscal year	83	112
Number of clients visited by case managers	12	41
Number of hotel visits by case managers during the fiscal year	20	62
The average number of visits per year for 135 clients interviewed	.15	.46
The average number of visits per year for clients with history notes	.24	.55

As indicated in Table IV, during fiscal year 1997, of the 83 clients whose case managers documented meetings with their clients, 12 were visited at the hotel by their case managers. These 12 clients were visited, on average, less than twice per year at the hotels by their case managers. The remaining 71 case records did not have evidence that case managers visited clients at the hotels.

In addition, during fiscal year 1998, of the 112 clients whose case managers documented meetings with their clients, 41 were visited at the hotel by their case managers. These 41 clients were visited, on average, less than twice during the fiscal year. Again, the remaining 71 case records did not have evidence that case managers visited clients at the hotels.

DASIS procedures do not require case managers to visit the clients at the hotels on a monthly basis. The interviews with agency officials indicate that there are no DASIS guidelines indicating how often case managers should visit clients. In addition, the agency restructuring plan acknowledges that the extent of contact with clients varies from case to case. However, in order to ensure that Title 18 requirements for services and living conditions are being provided by the hotels, the case managers should visit the hotels monthly.

As stated earlier, we believe the limited contact clients have with DASIS case managers has contributed to the adverse conditions found at some of the hotels. If the case managers maintained a regular presence at these hotels, they would be able to oversee the correction of many of the unsatisfactory conditions identified during this audit.

Agency Response: "HRA agrees with this finding....Of the 16 hotels inspected by the Comptroller for this audit, hotels that were not placed on non-referral status did not have extensive hazardous conditions. However, all of the hotels mentioned in the Comptroller's audit as having problems with maintenance, etc., have been addressed at various times and placed on non-referral status. At this time, the non-referral condition is still in effect for these hotels."

Recommendations

DASIS should:

8. Restructure the administration of its program so that a case manager is on-site at each privately owned hotel to monitor compliance with Title 18 of the Social Services Law.

Agency Response: "HRA agrees with this recommendation and has all ready implemented it. As of April 27, 1998, the HOPWA SRO program was transferred to DASIS. The workers are stationed in specific hotels and provide services, which include living area observations, to the DASIS clients. DASIS has requested additional money in the HOPWA VIII Proposal for the program to hire staff to be located in each of the hotels."

9. Ensure that its clients are periodically surveyed about quality of life conditions at the hotels.

Agency Response: "HRA agrees with this recommendation and has taken steps. In August 1997, DASIS established a Quality Assurance Unit to assess the quality of services provided to clients."

DASIS Is Conducting Business With Commercial SRO Hotels Without a Contract

Our review found that DASIS does not have contracts with the Commercial SRO hotels, even though the agency paid these hotels approximately \$16 million during fiscal year 1997 to house its clients. DASIS acknowledged that contracts do not exist with any of the Commercial SRO hotels; business is conducted under a

"gentlemen's agreement."⁸ They maintain this position, despite having been informed by the Deputy Comptroller for Claims and Adjudications and Contract Administration that SRO hotels are required to enter into contracts with the City.

DASIS believes it does not have to enter into contracts with the Commercial SRO hotels because it is unable to predetermine the quantity of housing needed.

This does not explain why, in apparent violation of the New York City Charter and the Procurement Policy Board (PPB) rules, DASIS has not entered into contracts with the hotels. Depending on the circumstances, there are two types of contracts that DASIS could use: requirements contracts (the appropriate type of contract when exact quantities of a service are not known) or emergency contracts.

DASIS also claims that it is not required to enter into contracts with the hotels because it has relationships with the clients, not the hotels. DASIS' relationship with its clients does not preclude it from entering into contracts to service those clients. In fact, the PPB rules define client services as ".... programs contracted for by the City of New York on behalf of third party clients.... to provide social services... housing and shelter assistance services...."⁹ The PPB rules recognize the agency/third party client relationship and state that the agency is contracting to procure services on behalf of those clients. It is the relationship between DASIS, acting on behalf of its third party clients, and the hotels that provide the housing for those clients, that must be memorialized in a written contract pursuant to the PPB rules.

DASIS' failure to have written evidence of the terms of its "gentlemen's agreements" with the hotels can lead to conflicting interpretations of the terms of those agreements. For example, in July 1995, DASIS gave written notice to the hotels that the rates originally agreed upon under the "gentlemen's agreement" would be reduced by 10 percent. In order to continue participating in the hotel program, the owners were required to complete a response form and return it to the Mayor's Office. This rate reduction affected 25 of the 46 Commercial SRO hotels that have "gentlemen's agreements" with the City. As a result, these 25 Commercial SRO hotels are not admitting new DASIS clients while they contest the 10 percent rate reduction. If there had been a written agreement between the hotels and the City, the amount the hotels would be

⁸This is a handshake agreement between DASIS and the hotels to conduct business.

⁹Procurement Policy Board Rules, formerly Section 4-01(b), now Section 1-07(b).

paid and the terms under which the parties could make adjustments to the hotel rates would have been stated.

Without written contracts, any agreements that are reached between DASIS and the 46 Commercial SRO hotels may be unenforceable. With written contracts, the parties would create a clear statement of their obligations.

Finally, the contractor selection process, mandated by the Charter and the PPB rules, is an important safeguard to ensure that City funds appropriated for client services are effectively applied to provide quality services for clients. Since DASIS circumvented the source selection process, there is no assurance that the hotel selection process was conducted appropriately.

Agency Response: "HRA disagrees with this finding. The Comptroller's report is incorrect in finding that DASIS should enter into contracts with CSRO hotels. Clients referred to a hotel are entitled to a public assistance emergency shelter allowance with which to pay their rent. This allowance, is authorized by New York State Department of Social Service (now the Office of Temporary and Disability Assistance) Regulations 18 NYCRR §352.3e. This shelter allowance does not constitute City funds. DASIS pays this allowance directly to the hotel consistent with its authority pursuant to SSL, sections 143-b (1) and 159 (1) b (i) and (ii) and 18 NYCRR Section 381.3 (c) (2) to issue direct vendor checks. Neither the City nor DASIS is able to use the funds for any purpose other than providing the client with emergency housing.

In addition, in accordance with §1-01 of the Procurement Policy Board Rules, the rules apply only to procurement of services to be paid from the City treasury or from monies under the control of or assessed by the City. Because the public assistance shelter allowance is the client's money--and not the City's--the Procurement Policy Board Rules are not applicable. The hotel program is structured so that it qualifies for public assistance shelter allowances. This structure has been supported by the New York City Law Department and recognized by the courts in Ferrer v. Dinkins, 635 N.Y. 2d 965 and Midtown South Preservation and Development Committee v. City of New York, 130 AD2d 385.

Notwithstanding the foregoing, however, in an attempt to avoid misunderstandings that may arise between DASIS and the hotels, a Memorandum of Understanding ("MOU") has been drafted and is in the process of being finalized. HRA will ask each SRO hotel that accepts DASIS referrals to sign this MOU. The MOU establishes expectations and responsibilities for both DASIS and the CSROs. An important dynamic is the daily changing needs of the program and SRO unit availability. The MOU stipulates the responsibilities of DASIS and the CSRO, i.e., client responsibilities, hotel responsibilities, advance notification of impending stop payments

in the form of a ten day notice or 48 hour notice, whichever is appropriate; quicker cancellation notification; a weekly registry for clients to account for room utilization; hotel management of certification of occupancy; the integration of client and hotel responsibility in the form of a letter of introduction with appropriate signature verifications; and various payment arrangements.

Additionally, the audit is incorrect in its assertion that 25 CSROs are not admitting new DASIS clients due to the 10% rate reduction, which occurred in 1995. The "block out" began in January 1998 to protest issues surrounding the payments of arrears and was not a result of the two-year-old rate reduction."

Auditors' Comments: In its response, DASIS disagrees with this report's conclusion that procurement of services from commercial SRO hotels should be conducted pursuant to the PPB Rules, and that DASIS should enter into contracts with the hotels. Nothing in DASIS' response provides any reason for the report's conclusions to be changed.

As part of its mission, DASIS provides shelter to its clients through its Hotel Program. As stated in the report, under the Program the agency enters into "gentlemen's agreements" with the hotels. These agreements are informal contracts not pursuant to the PPB Rules nor registered with the Comptroller pursuant to § 328 of the New York City Charter. Under the "gentlemen's agreements" rooms are made available to meet the shelter needs of the agency's clients. Pursuant to New York State Department of Social Services (now the Office of Temporary and Disability Assistance) regulations, 18 NYCRR Section 352.3(e), agency clients are entitled to a public assistance shelter allowance.

DASIS offers two arguments in support of its contention that the PPB Rules do not apply to its procurement of shelter for its clients under the Hotel Program. First, it contends that the allowance does not constitute City funds because the City is not able to use the funds for purposes other than providing clients with housing. It then cites Section 1-01 of the PPB Rules¹⁰ and argues that because the public assistance shelter allowance is the clients' money--not the City's--the PPB Rules are not applicable.

¹⁰ Section 1-01 of the Procurement Policy Board Rules provides:

Except as otherwise provided by law, these Rules shall apply to the procurement of all goods, services, and construction to be paid for out of the City treasury or out of monies under the control of or assessed or collected by the City.

While it is true that the allowance may only be used for the above-stated purpose, the agency's arguments that the PPB Rules do not apply to the procurement of housing space are unconvincing. Shelter allowance funds are under the control of the City, and are not directed by any non-City funding source to be spent on any particular hotel. See PPB Rule § 1-01(d)(2). It is money made available to the City for the specific purpose of providing shelter for the client. And, it is the City that controls the funds, not the client. DASIS, not the client, determines in which hotels it will use the funds to provide shelter for its clients. DASIS assigns a client to a particular hotel. DASIS, not the client, draws on the allowance funds to cover the cost of housing the client, either through a two-party check payable to the client and the hotel, or through direct payment to the hotel through an Electronic Funds Transfer. While the client's name is on the two-party check, or the EFT is made on behalf of the client, the client does not control selection of the pool of available hotels, or the particular hotel within that pool in which he or she will be housed, or the funds. The funds are clearly under the control of the City.

Also, in support of its contention that the "gentlemen's agreements" are not procurements governed by the PPB Rules, DASIS states that the Hotel Program is structured so that it qualifies for public assistance shelter allowances, and notes that the structure has been supported by the Law Department and recognized by the Courts (Ferrer v. Dinkins and Midtown South Preservation and Development Committee v. City of New York). While we do not disagree with this statement, the cited cases do not support DASIS' contention that it need not enter into formal contracts with the hotels pursuant to the PPB Rules, which would then be registered with the Comptroller pursuant to Charter § 328. The issue in Midtown South was whether the City was required to follow State Environmental Quality Review Act (SEQRA) procedures before placing its homeless clients in hotels within the Midtown South area. In Ferrer, the issue was whether the City had entered into a lease agreement with a particular hotel in which it placed homeless clients and, therefore, whether it was required to comply with Uniform Land Use Review Procedure (ULURP) and "fair share" procedures.

As discussed in the report, in addition to the Charter's procurement and contract requirements, formal contractual arrangements, as a practical matter, are necessary both to provide protection for, and a clear statement of, the obligations of the agency and the hotels. In its response, DASIS states that "... in an attempt to avoid misunderstandings that may arise between DASIS and the hotels ..." (absent formal contracts), the agency has drafted a Memorandum of Understanding ("MOU") to be signed by each SRO included in the Hotel Program. The agency states that the MOU would stipulate the responsibilities of DASIS and the hotels. While the Comptroller's Office notes that such an MOU could

alleviate some of the current confusion as to the obligations of each of the parties, we believe that DASIS is procuring client services when it acts on behalf of its clients and enters into relationships with hotels that provide housing. The PPB Rules govern the procurement of such services. See PPB Rule § 1-03(d). As stated in the report, the PPB Rules define client services as "programs contracted for by the City on behalf of third party clients ... to provide housing and shelter assistance services" PPB Rule § 1-07(b) (emphasis added). DASIS may choose to request a formal opinion from the Law Department as to whether this Program should follow the PPB Rules in procuring hotel services. Short of a convincing opinion from the Law Department concluding it need not comply, DASIS should follow the PPB Rules in its procurement of housing for its clients, and should register the contracts with the Comptroller pursuant to Charter § 328."

Recommendation

DASIS should:

10. Select contractors, enter into written contracts with the hotels that provide housing for its clients, and register these contracts with the Comptroller's Office, in accordance with the Procurement Policy Board Rules.

Agency Response: "HRA disagrees with this recommendation." (The substance of the agency's disagreement can be found above in the agency's response to the finding.)

Auditors' Comments: (The auditor's response can be found above after the agency response section.)

" In fact, the agency has been on notice from the Comptroller's Office since November 1996 to enter into formal contracts with SRO hotels. In November 1996, the Deputy Comptroller for Claims/Adjudication and Contract Administration wrote to the Human Resources Administration (before the creation of DHS as an independent agency) approving a modified settlement based on an illegal but equitable claim made by a hotel. In her letter, Deputy Comptroller Rosaria Esperon stated that such illegal but equitable claims would no longer be available as a means for reimbursement for continued services from hotels because both the agency and the hotels were now aware that contracts were necessary for the hotels to receive payments.

Payments Were Made to Hotels After a Client's Date of Death

We found that payments were made to Commercial SRO hotels for services that were never provided because the lodging periods occurred after a client's date of death. Specifically, 134 clients were deceased for an average of 20 days each before their hotel payments were terminated. This resulted in overpayments of \$78,842 to the hotels.

According to DASIS officials, case managers are required to meet with clients regularly to provide counseling and to direct clients to the appropriate social services. The case manager is also responsible for verifying that clients are residing in the appropriate hotels during each billing period. However, when we interviewed the DASIS clients, 35 of the 135 (25%) claimed they did not know their case manager.

In addition, case managers are required to notify DASIS when hospitalization, incarceration, or death has interrupted a client's hotel stay. When DASIS is notified of a client's death, it immediately cancels the room and the AIRS Billing System terminates the hotel payments for that client.

Despite the requirement that case managers stay in regular contact with clients and monitor their hotel stays, we found that some hotel rooms stay unoccupied after a client has died, and hotels continue to bill DASIS for these rooms. Specifically, we compared the discharge dates of clients who had died during fiscal year 1997 against the recorded dates of death for these clients to determine the number of days that DASIS overpaid for their hotel rooms. We also allowed three days for DASIS to be notified of these clients' death. Our findings are detailed in the following table.

TABLE V

Overpayments to Hotels for Deceased Clients

Number of Days Payments Were Made After a Client's Death	Number of Clients	Total Amount of Payments to the Hotels
1 to 30	110	\$32,075
31 to 60	14	\$18,631
61 to 90	6	\$13,436
Over 3 months	4	\$14,700
Total	134	\$78,842

Table V shows that during fiscal year 1997, \$78,842 was paid to the hotels for rooms no longer occupied by 134 deceased DASIS clients. We only reviewed the clients for fiscal year 1997, but it is likely that similar overpayments were made in other fiscal years.

It appears that case managers are not able to properly monitor their clients, as evidenced by the number of clients whose hotel stays were paid for an average of 20 days after they were deceased. As previously mentioned, in an audit entitled, *Audit Report on the Department of Homeless Services' Payment Procedures for Clients Housed in Privately Owned Hotels*, we found that the Homeless Services' case managers were on-site, at each hotel, and were required to locate their clients. These on-site case managers made it easier for DHS to ensure that payments were made for services provided.

If DASIS case managers were on-site and had more contact with their clients, they could not only provide referrals to necessary services, but they could also more effectively monitor clients' whereabouts. Greater awareness of a client's status should reduce the overpayments that occur when DASIS receives late notice of a client's death.

Agency Response: "HRA agrees with this finding. During the audit period, DASIS was dependent upon outside sources for information concerning a client's death. However, now that the SRO program is under the direct supervision of DASIS, the presence of DASIS in the hotels and the close monitoring [of] signatures on the hotel registry should enable us to learn of the death of a client in a timely fashion."

Recommendations

DASIS should:

11. Improve its monitoring of clients, which would decrease overpayments to hotels for services not rendered.

Agency Response: "HRA agrees with this recommendation and has already implemented it. As of April 27, 1998, the HOPWA SRO program was transferred to DASIS. The workers are stationed in hotels and provide services to the DASIS clients including room and environmental observations. The workers in the hotels coordinate activities with the center case managers to address client issues."

12. Recoup the overpayments made to the Commercial SRO hotels for all deceased clients.

Agency Response: "HRA agrees with this recommendation. It has always been the practice in reconciling claims yet to be paid for DASIS to recoup all overpayments. DASIS will review the list of overpayments provided by the auditors and will recoup from future liabilities, all substantiated overpayments made."

Hotel Registries Are Not Always Being Used As Verification of Residence

DASIS did not follow its own procedures requiring clients to sign the Hotel Registry. We found that for all of the 16 hotels in our sample, the Registries were either missing or only partially completed.

DASIS procedures indicate that clients are supposed to sign the Hotel Registry on a weekly basis. Each hotel is then required to forward the signed Hotel Registry to DASIS' Emergency Placement Unit. The Unit then checks the signatures to confirm that the clients actually stayed in the hotels before payments are made to the hotels. If a client does not sign the Hotel Registry for two consecutive weeks, the procedures direct DASIS to cancel the hotel room.

We reviewed the Registries for the 16 Commercial SRO hotels we visited for the months of September and October 1997. We found that three hotels (California Suites, Flushing YMCA, and V&V Residence) did not have any signed Registries on file. DASIS officials did not have an explanation as to why these hotels did not submit the Registries. The Registries of the remaining 13 hotels were only partially completed because they did not have all of the clients' signatures.

We then reviewed the Registries to determine whether DASIS was using them as a control to monitor clients' hotel stays during specific payment periods. From our original sample of 16, we reviewed the registries of 6 hotels (California Suites, Flushing YMCA, the Marion, Anthony, Seton Hall and University Hotels) for the month of March 1997.

We found that all of the hotels were paid and none of the hotel rooms were canceled, even though clients had not signed the Registries. For example, California Suites and Flushing YMCA did not submit the required weekly registries to DASIS; however, the clients' hotel rooms were not canceled and payments were still made to these hotels. In fact, during March 1997, DASIS paid

approximately \$96,000 to house clients at these two hotels. Furthermore, we found that for the entire year, DASIS paid over \$907,000 to California Suites and over \$129,000 to Flushing YMCA. Since Hotel Registries were not submitted, we question whether the clients actually stayed at these hotels during the time indicated on the bills.

DASIS' failure to follow its own procedures could result in payments for hotel rooms not occupied by clients. As stated earlier, we identified \$78,842 in payments for rooms registered to deceased clients. These overpayments would not have been made if DASIS had checked the Registries. In addition, if on-site case managers were available for each hotel, they could have enforced DASIS' requirements for completion of the Registries.

Agency Response: "HRA agrees with this finding. DASIS does not enter into contracts with CSRO hotels. However, in an attempt to formalize the interaction between DASIS and the CSRO's, a Memorandum of Understanding, (MOU) has been drafted and reviewed. The MOU continues to be negotiated. The MOU will establish expectations and responsibilities for both DASIS and the CSROs."

Recommendations

DASIS should make sure that:

13. The use of the Commercial SRO Hotel Registry is enforced uniformly in every hotel that provides services to its clients.

Agency Response: "HRA agrees with this recommendation and has already taken steps to implement it. A Memorandum of Understanding (MOU) has been drafted that delineates the operating guidelines for all parties, including the hotel landlords and DASIS. The MOU stipulates that the Hotel Registry must be completed weekly and submitted on a timely basis. When the hotels do not submit the registry on time, payment to the hotel will be held until such document is received and verified through on-site room checks and validation of signatures. This MOU is expected to be placed into effect during FY' 1999."

14. Case managers obtain all of the proper signatures on the Commercial SRO Hotel Registry as proof that the clients were present at the hotel.

Agency Response: "HRA disagrees with this recommendation. Case managers are not responsible for obtaining client signatures on the Hotel Registry. It is the responsibility of the hotel managers to ensure that clients sign in. As stated in our response to recommendation #13, a Memorandum of Understanding (MOU) has been drafted that delineates the operating guidelines for all parties including the hotel landlords and DASIS. The MOU stipulates that the Hotel Registry must be completed weekly and submitted on a timely basis. When the hotels do not submit the registry on time, payment to the hotel will be held until such document is received and verified through on-site room checks and validation of signatures."

Auditors' Comments: We acknowledge that HRA's procedures require each hotel to collect signatures from the clients. However, we believe that HRA could monitor the clients' whereabouts more efficiently if their case managers were responsible for collecting clients' signatures. Since the HOPWA SRO program has been incorporated into DASIS, these on-site case managers could take on this oversight responsibility.

15. Payments are made only to hotels providing service to clients who have signed the Commercial SRO Hotel Registry, in accordance with DASIS' procedures.

Agency Response: "HRA agrees with this recommendation and has already taken steps to implement it. A Memorandum of Understanding (MOU) has been drafted that delineates the operating guidelines for all parties including the hotel landlords and DASIS. The MOU stipulates that the Hotel Registry must be completed weekly and submitted on a timely basis. When the hotels do not submit the registry on time, payment to the hotel will be held until such document is received and verified through onsite room checks and validation of signatures."

A Policy and Procedures Manual Does Not Exist For the Billing Unit

While reviewing DASIS' policies and procedures manual, we noted that DASIS does not have written policies and procedures for its Billing Unit. DASIS' Billing Unit currently uses internal control documents created by the Director of the Billing Unit to facilitate the reconciliation of the hotel billing invoices to the payment registers. However, these documents have not been formally adopted and approved by management.

Comptroller's Directive #1 requires that DASIS establish an internal control system that "... provides reasonable assurance that program goals and objectives are effectively and efficiently met; laws and regulations are complied with; resources are adequately safeguarded and efficiently used; and reliable data are obtained, maintained, and accurately and fairly disclosed in reports."

Senior management's failure to implement procedures designed to identify and eliminate control weaknesses in the DASIS billing process indicates a lack of commitment by DASIS to safeguard City assets. As a result of control weaknesses, hotel payments rejected by the AIRS Billing System have been overridden by unauthorized users.

Policies and procedures are necessary to help an organization meet its overall goals and mission. Without written policies and procedures, there is little assurance that a billing process is operating effectively, efficiently, and allowing for continuity of the billing function.

Agency Response: "HRA partially agrees with this finding. Although it is true that policies and procedures which specifically outline the AIRS/SRO Billing Unit operations have not been formally accepted by management, there exist internal documents that describe various procedures for the DASIS Billing Unit. Further, in reviewing the DASIS Policy and Procedures Manual of 1994, we identified several procedures that outline the following AIRS/SRO Billing Unit functions, which remain in effect unless revised by Local Law 49..."

Auditors' Comments: Our review of the Policies and Procedures manual has revealed, once again, that HRA has not included the policies and procedures for the Billing Unit. Although the Director of the Billing Unit has instituted procedures that have improved the controls over the DASIS hotel billing process, these procedures have not been incorporated into the official "draft" of the agency's Policies and Procedures manual. In addition, the AIRS/SRO Billing Unit functions mentioned in DASIS' response refer to the on-line screen functions of the system, not the standard operating procedures and internal reports and forms used by the Billing Unit (e.g., pay register reconciliation, override and overpayment procedures, etc.).

Recommendation

DASIS should:

16. Ensure that senior management, working in concert with the Director of the Billing Unit, develops a procedures manual for the Billing Unit.

Agency Response: "HRA agrees with this recommendation and has already taken steps to implement it. As part of our efforts to develop formalized procedures for the entire agency, a 1998 DASIS Housing Policy and Procedures Manual is being revised to outline the SRO billing operations. We expect the new Policy and Procedures Manual to be completed during FY' 1999."



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JASON A. TURNER
Administrator/Commissioner

MARK HOOVER
First Deputy Commissioner

September 16, 1998

Roger D. Liwer, Deputy Comptroller
Audits and Engineering
New York City Office of the Comptroller
161 William Street – Room 200
New York, New York 10038-2607

Re: New York City Comptroller's Draft Report of
HRA's Division of AIDS Services and Income
Support's Controls Over Payments to Privately
Owned Hotels for DASIS Clients
Audit Number ME97-181A

Dear Deputy Comptroller Liwer:

Thank you for the opportunity to respond to the draft report on the above referenced audit.

HRA would like to express its dissatisfaction with the methods used by the NYC Comptroller's Office in gathering information used in the audit. The auditors interviewed 135 clients to determine whether case managers were regularly conducting field visits. When HRA requested the names of these 135 clients, your office did not provide them. We still have not yet been provided with the list. We are again requesting that the names of the clients interviewed be provided to us.

Additionally, the report indicated that certain records were not made available to your office during the audit. During the exit conference on June 22, 1998, the Audit Manager was asked to provide the name of the staff person to whom the request for the records was made. She admitted that she relied on an unnamed low-level staff person's claim that the files were unavailable but could not even provide us with that person's name. It is interesting to note that although your auditor requested other information from DASIS managers and spoke to them at length on various issues during the conduct of the audit, she failed to ever request these specific files of them. It should be further noted that once your office did make a request for the records to the appropriate HRA managers, the files were promptly made available for review.

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

Auditors' Finding: Weak Controls within the AIRS Billing System.

HRA's Response: HRA partially agrees with this finding. Of the total AIRS users at DASIS the audit identified fourteen users who had override access. Of the fourteen, the audit described the job functions of six users who should not have had access to the override function of the billing system. In fact, two of the six identified never had access to the override function. Of the four remaining,

none now have override access. Currently only two users have override access, and these are the Director and the Assistant Director of the Billing Unit.

Auditors' Finding: AIRS Billing System Allows Overlapping Payments.

HRA's Response: HRA disagrees with this finding. The AIRS system has been designed to prevent overlapping payments. However, there were four transactions out of 19,709 payments during the audited period where overlapping payments occurred. These overpayments totaled \$255.98 out of over \$16 million. This represents less than .001% of the total claims paid. In two of the four cases, DASIS staff uncovered the overpayment during an internal audit one-month after both overpayments occurred. This minimal error rate signifies accuracy already achieved in the system. In the case of client 1, the overpayment was not \$69.30, as stated in the audit report, but only \$34.68, the amount it costs for one night (April 2, 1997) at the Allerton. In the case of client 2, DASIS uncovered this overpayment in February 1997. An attempt was made to recoup the money. In the case of client 3 and 4, which is the same person, DASIS staff uncovered two of the three days overpaid within one month of the overpayment. DASIS is attempting to recoup all monies.

Auditors' Finding: Irregularities in Hotel Billing Information for Clients Admitted to Hotels on or After their Date of Death.

HRA's Response: HRA partially agrees with this finding. The following placement date information identified in the audit was incorrect:

The Davidson Hotel: Placement date identified in the audit is incorrect. AIRS indicates placement as December 27, 1995, not December 29 as stated in the report. On December 29, 1995 hotel management wanted to move the client to another room and found at that time that the client had expired.

The Hayden Hall Hotel: Placement date identified in the audit is incorrect. AIRS indicates placement as of December 29, 1992. On March 22, 1995 the case manager requested that the room be closed due to the death of the client on the same day. Because the client was placed in the hotel prior to the inception of the AIRS Payment System, the hotel was paid via a two party check. Therefore, information in the AIRS System regarding payment began on February 1, 1995; the earliest date EFT payments were made to this hotel. The client expired more than two years and three months after placement.

Concerning the remaining two Hotels (the Fordham and the Monte Carlo) HRA agrees with the auditors' finding.

Auditors' Finding: Hotel Living Conditions are Unsatisfactory

HRA's Response: HRA agrees with this finding. As a result of DASIS restructuring, effective December 1995, single clients in Monitoring status were seen every six months for rectification and reassessment and in response to client request. Clients or their advocates identified service need to DASIS. This need was addressed either by a caseworker or an eligibility specialist depending on whether the need was social or financial. If resolving the problem required a field visit to see the client, then the visit was made. DASIS instituted designated caseload/intensive case management on June 15, 1998. A mandatory monthly home visit schedule was instituted as of this date. When DASIS is notified of security dangers to clients in the hotels due to drug trafficking, the landlords are placed on non-referral status; and part of their re-entry into the DASIS Emergency Placement program is to incorporate the services of their local precinct - to provide vertical patrols, and the borough's District Attorneys Office Trespass Affidavit Program. The inspections conducted by the

HPD SRO Compliance Unit and the Department of Health are used, as the basis for DASIS placing hotels on non-referral status, that is the hotel will no longer receive referrals until the conditions are corrected. In the past year DASIS has conducted its own hotel inspection that centers specifically on commonly used areas such as the kitchens and bathrooms, open floor areas, infestation, inadequate lighting, appliances particularly stoves and refrigerators, and sinks and tubs. The information from all three inspections dictate whether the hotel owner is in fact providing at minimum, housing that promotes health and safety for anyone living there. The standard that DASIS uses to inspect current and prospective hotels is based on a number of factors. These are:

- Accessibility to conveniences such as shopping, laundry, transportation;
- common areas are free of debris between and underneath appliances and equipment such as tubs, sinks, toilets;
- bathroom to client ratio, which should be no more than one bathroom to five clients;
- bathrooms must have locks;
- room size meets HPD standards to accommodate the number of persons occupying the room;
- rooms must be outfitted with a single bed (double, if a coup.é), dresser, and refrigerator;
- rooms must have a window and be well lit, and ventilated;
- linens must be distributed at least weekly, and in good repair - not ragged, torn or soiled;
- toilet paper must be available;
- access to health services such as the DOH Directly Observed Therapy Program;
- access to home services which are mandated to be provided in hotels as specified in DASIS Home Care contracts;
- access to daily mail;
- access to building by doorbell;
- the established cleaning regimen promotes a clean environment;
- hotel staffing is sufficient to provide a good maintenance and cleaning schedule;
- security is provided by staff and/or devices such as cameras or alarms;
- the neighborhood is scrutinized for obvious drug trafficking and the utilization level of transient rooms for fewer than twelve hours.

DASIS receives the outcome inspection reports of the Housing Preservation and Development (HPD) SRO Compliance Unit and the Department of Health (DOH) monthly. DASIS scrutinizes each report for hazardous violations - violations that impact on the health and safety of living clients living in this facility. Where there are egregious findings of hazardous conditions, hotels are placed on non-referral status. DASIS also conducts its own inspection and incorporates its findings with those of HPD/SRO and DOH. As a result, of the 16 hotels reviewed, seven were placed in a non-referral status. Of the seven, three were placed on non-referral status during fiscal 1997 and the remainder during early fiscal 1998.

Of the 16 hotels inspected by the Comptroller for this audit, hotels that were not placed on non-referral status did not have extensive hazardous conditions. However, all of the hotels mentioned in the Comptroller's audit as having problems with maintenance, etc., have been addressed at various times and placed on non-referral status. At this time, the non-referral condition is still in effect for these hotels.

Following is a listing of the hotels on non-referral status:

HOTEL NAME	DATE OF NON-REFERRAL	REASON(S)
1. Tikvah*	10/16/97	Illicit activities
2. California Suites*	6/12/97	Maintenance, Rooms size, Certificate of Occupancy
3. Kent*	6/97 5/98	Security DOI Investigation
4. Marion	11/18/97 9/3/98	Maintenance Maintenance
5. Hoe Avenue I*	6/12/97	Illicit activity/Maintenance/ Community Concerns
6. Park Overlook	3/19/98	Maintenance
7. University*	12/19/97	Maintenance

*These hotels will no longer be used by DASIS

Auditors' Finding: DASIS is Conducting Business with Commercial SRO(CSRO) Hotels without a Contract.

HRA's Response: HRA disagrees with this finding. The Comptroller's report is incorrect in finding that DASIS should enter into contracts with CSRO hotels. Clients referred to a hotel are entitled to a public assistance emergency shelter allowance with which to pay their rent. This allowance, is authorized by New York State Department of Social Service (now the Office of Temporary and Disability Assistance) Regulations 18 NYCRR § 352.3e. This shelter allowance does not constitute City funds. DASIS pays this allowance directly to the hotel consistent with its authority pursuant to SSL, sections 143-b (1) and 159 (1) b (i) and (ii) and 18 NYCRR Section 381.3 (c) (2) to issue direct vendor checks. Neither the City nor DASIS is able to use the funds for any purpose other than providing the client with emergency housing.

In addition, in accordance with § 1-01 of the Procurement Policy Board Rules, the rules apply only to procurement of services to be paid from the City treasury or from monies under the control of or assessed by the City. Because the public assistance shelter allowance is the client's money – and not the City's – the Procurement Policy Board Rules are not applicable. The hotel program is structured so that it qualifies for public assistance shelter allowances. This structure has been supported by the New York City Law Department and recognized by the Courts in Ferrer v. Dinkins, 635 N.Y. 2d 965 and Midtown South Preservation and Development Committee v. City of New York, 130 AD2d 385.

Notwithstanding the foregoing, however, in an attempt to avoid misunderstandings that may arise between DASIS and the hotels, a Memorandum of Understanding ("MOU") has been drafted and is in the process of being finalized. HRA will ask each SRO hotel that accepts DASIS referrals to sign this MOU. The MOU establishes expectations and responsibilities for both DASIS and the CSROs. An important dynamic is the daily changing needs of the program and SRO unit availability. The MOU stipulates the responsibilities of DASIS and the CSRO, i.e., client responsibilities, hotel responsibilities, advance notification of impending stop payments in the form of a ten day notice or a 48 hour notice, whichever is appropriate; quicker cancellation notification; a weekly registry for clients to account for room utilization; hotel management of certification of occupancy; the integration of client and hotel responsibility in the form of a letter of introduction with appropriate signature verifications; and various payment arrangements.

Additionally, the audit is incorrect in its assertion that 25 CSROs are not admitting new DASIS clients due to the 10% rate reduction, which occurred in 1995. The "block out" began in January 1998 to protest issues surrounding the payments of arrears and was not a result of the two-year-old rate reduction

Auditors' Finding: Payments were Made to Hotels After a Client's Date of Death.

HRA's Response: HRA agrees with this finding. During the audit period, DASIS was dependent upon outside sources for information concerning a client's death. However, now that the SRO program is under the direct supervision of DASIS, the presence of DASIS in the hotels and the close monitoring signatures on the hotel registry should enable us to learn of the death of a client in a timely fashion. The assertion in this section that 35 of the 135 clients did not know their case manager, cannot be specifically addressed since the Comptroller's Office did not provide us with the names of the 35 referenced clients. However, while DASIS was operating under the team case management concept, a caseworker or an eligibility specialist saw a client who requested service. It was not unusual for a client to meet with different caseworkers rather than one specifically assigned to them, to resolve various problems. The caseworker would meet with the client either in the office or in the home depending upon the nature of the need. There is no indication from any of the case records reviewed that any client was not seen for needed services.

Auditors' Finding: Hotel Registries are not Always Being Used as Verification of Residence.

HRA's Response: HRA agrees with this finding. DASIS does not enter into contracts with CSRO hotels. However, in an attempt to formalize the interaction between DASIS and the CSRO's, a Memorandum of Understanding, (MOU) has been drafted and reviewed. The MOU continues to be negotiated. The MOU will establish expectations and responsibilities for both DASIS and the CSROs.

Auditors' Finding: A Policy and Procedures Manual does not Exist for the Billing Unit.

HRA's Response: HRA partially agrees with this finding. Although it is true that policies and procedures which specifically outline the AIRS/SRO Billing Unit operations have not been formally accepted by management, there exist internal documents that describe various procedures for the DASIS Billing Unit. Further, in reviewing the DASIS Policy and Procedures Manual of 1994, we identified several procedures that outline the following AIRS/SRO Billing Unit functions, which remain in effect unless revised by Local Law 49:

- The operations of the computerized billing system.
- Verification of client occupancy.
- On-line specifics.
- Case Manager rent requests from the on-line billing system.
- The handling of client placements not entered into the AIRS/SRO billing system.
- The handling of rental arrears.

Auditors' Recommendation #1: Encrypt all user passwords on the AIRS system.

HRA's Response: HRA agrees with this recommendation and has encrypted passwords on AIRS since 1988. The only persons with knowledge of a user's password are the user, the user's supervisor (if the user shares the information with their supervisor) and MIS. It is our intention to continue our long-standing practice of encrypting the passwords on the AIRS billing system.

Auditors' Recommendation #2: Reduce the number of staff members with override access to the AIRS billing information.

HRA's Response: HRA agrees with this recommendation and implemented it during FY'1998. Only two people presently have override access to the AIRS Billing information, and these are the Director and the Assistant Director of the Billing Unit.

Auditors' Recommendation #3: Assign each user's name to a user profile account for the purposes of establishing an audit trail that would enable the Billing Unit to identify which user made changes to the billing information.

HRA's Response: HRA agrees with this recommendation. The Office of Management Information Systems (MIS) is now developing the specifications for doing this in the AIRS, Homemaking, and Billing programs. The target date for implementation is October 31, 1998.

Auditors' Recommendation #4: Develop a suspense file to retain a record of all overridden rejected billing items. Prior to the issuance of payments to hotels, the Billing Unit should review this file to ensure proper disposition of rejected payments.

HRA's Response: HRA agrees with this recommendation. DASIS billing unit staff reviews the rejection list and verifies the list against WMS to ascertain whether there has been a status change. If the P.A. case is closed no payment is made. If however the P.A. case is open and it is within three months of initial placement or previous case closure, then the rejection is overridden and the bill is paid. Regarding the suspense file, MIS is developing specifications for such a file and we expect implementation to be October 31, 1998.

Auditors' Recommendation #5: Re-program the AIRS system to prompt users to change their passwords on a regular basis.

HRA's Response: HRA agrees with this recommendation. DASIS has requested this system enhancement and MIS is in the process of developing it. It is scheduled for implementation by October 31, 1998.

Auditors' Recommendation #6: Re-program the AIRS Billing System to prevent future overlapping payments. The system should be able to detect data inconsistencies and/or errors and duplicate payment requests from hotels and reject these payments.

HRA's Response: HRA partially agrees with this recommendation. Given that the error rate is already so low (.001% during the audit period) we are not sure improvements will be cost effective. However, DASIS and MIS will review the System to see if the error rate can be reduced even further.

Auditors' Recommendation #7: Re-program the AIRS Billing System to prevent payments on behalf of deceased clients when admittance and service dates occur after the client's date of death. Such payments should be rejected and reviewed by the Billing Unit.

HRA's Response: HRA agrees with this recommendation. However, the AIRS system depends on the notification of a client's death in order to disallow payments. At this time there is no electronic capacity to register dates of death upon notification to the New York City Department of Health. The Paperless Office System, which should be implemented in the agency by FY' 2000, will have this capacity.

Auditors' Recommendation #8: Restructure the administration of its program so that a case manager is on-site at each privately owned hotel to monitor compliance with Title 18 of the Social Services Law.

HRA's Response: HRA agrees with this recommendation and has all ready implemented it. As of April 27, 1998, the HOPWA SRO program was transferred to DASIS. The workers are stationed in specific hotels and provide services, which include living area observations, to the DASIS clients. DASIS has requested additional money in the HOPWA VIII Proposal for the program to hire staff to be located in each of the hotels.

Auditors' Recommendation #9: Ensure that its clients are periodically surveyed about quality of life conditions at the hotels.

HRA's Response: HRA agrees with this recommendation and has taken steps. In August 1997, DASIS established a Quality Assurance Unit to assess the quality of services provided to clients. To this end DASIS has already:

- Established a Planning, Finance, and Quality Assurance Unit;
- Hired a Unit Director.
- Identified staff, hired staff, or secured hiring authority for:
 - an Audit Coordinator (on staff);
 - six program auditors (hired);
 - a Budget/Grant Coordinator (secured hiring authority);
 - three analysts, respectively, for programs, budgets, and grants (on staff);
 - a Quality Assurance Coordinator (identified candidate);
 - two report analysts (one on staff);
 - an Expense/Reconciliation Audit Coordinator (on staff);
 - an audit supervisor, five E/R auditors, (on staff) and;
 - a Correspondence/Ombudsperson (on staff).
- Developed a Project Plan for Implementing Total Quality Management/QA within DASIS;
- submitted our first three Quarterly Performance Reports to the Mayor and City Council; and
- Begun to design Client Satisfaction/Service Utilization Questionnaires, which will be randomly distributed to clients residing in CSRO hotels.

Auditors' Recommendation #10: Select contractors, enter into written contracts with the hotels that provide housing for its clients, and register these contracts with the Comptroller's Office, in accordance with the Procurement Policy Board Rules.

HRA's Response: HRA disagrees with this recommendation. The Comptroller's report is incorrect in finding that DASIS should enter into contracts with CSRO hotels. Clients referred to a hotel are entitled to a public assistance emergency shelter allowance with which to pay their rent. This allowance is authorized by New York State Department of Social Services Regulations (now the Office of Temporary Disability Assistance) 18 NYCRR § 352.3e. This shelter allowance does not constitute City funds. DASIS pays this allowance directly to the hotel consistent with its authority pursuant to SSL, sections 143-b (1) and 159 (1) b (i) and (ii) and 18 NYCRR Section 381.3 (c) (2) to issue direct vendor checks. Neither the City nor DASIS is able to use the funds for any purpose other than providing the client with emergency housing.

In addition, in accordance with § 1-01 of the Procurement Policy Board Rules, the rules apply only to procurement of services to be paid from the City treasury or from monies under the control of or assessed by the City. Because the public assistance shelter allowance is the client's money – and not the City's – the Procurement Policy Board Rules are not applicable. The hotel program is structured so that it qualifies for

public assistance shelter allowances. This structure has been supported by the New York City Law Department and recognized by the Courts in Ferrer v. Dinkins, 635 N.Y. 2d 965 and Midtown South Preservation and Development Committee v. City of New York, 130 AD2d 385.

Auditors' Recommendation #11: Improve its monitoring of clients, which would decrease overpayments to hotels for services not rendered.

HRA's Response: HRA agrees with this recommendation and has already implemented it. As of April 27, 1998, the HOPWA SRO program was transferred to DASIS. The workers are stationed in hotels and provide services to the DASIS clients including room and environmental observations. The workers in the hotels coordinate activities with the center case managers to address client issues. As part of the reorganization of the program since its transfer DASIS has undertaken the following:

- Surveyed and changed staff work schedules for appropriateness;
- reviewed all historical and current disciplinary actions involving staff working with CSRO clientele;
- reviewed all personnel folders;
- reviewed all previous employee evaluations;
- designed new Tasks and Standards that are appropriate and applicable;
- unannounced supervisory site visits made by management with HOPWA CSRO staff;
- conducted supervisory case conferences with all staff regarding status of all placed clients;
- instituted mandated "call in" procedure with a "call back" to ensure on-site status, random as well as morning site arrival and end of day departure;
- reviewed all training procedures and manuals;
- currently drafting new procedures;
- conducted employee orientation regarding Code of Conduct, Rules and Regulations, Time and Leave, Dress Code, DASIS overview, Local Law 49, Policies and Procedures;
- conducted staff training on specific issues, including AIDS 101;
- conduct monthly supervisory training;
- reviewed all reporting lines and documentation of any previous supervisory activity;
- reviewed distribution and redistributed staff resources by hotel and client population.

Auditors' Recommendation #12: Recoup the overpayments made to the Commercial SRO Hotels for all deceased clients.

HRA's Response: HRA agrees with this recommendation. It has always been the practice in reconciling claims yet to be paid for DASIS to recoup all overpayments. DASIS will review the list of overpayments provided by the auditors and will recoup from future liabilities, all substantiated overpayments made.

Auditors' Recommendation #13: Ensure that the use of the Commercial SRO Hotel Registry is enforced uniformly in every hotel that provides services to clients.

HRA's Response: HRA agrees with this recommendation and has already taken steps to implement it. A Memorandum of Understanding (MOU) has been drafted that delineates the operating guidelines for all parties, including the hotel landlords and DASIS. The MOU stipulates that the Hotel Registry must be completed weekly and submitted on a timely basis. When the hotels do not submit the registry on time, payment to the hotel will be held until such document is received and verified through on-site room checks and validation of signatures. This MOU is expected to be placed into effect during FY' 1999.

Auditors' Recommendation #14: Ensure that case managers obtain all of the proper signatures on the Commercial SRO(CSRO) Hotel Registry as proof that the clients were present at the hotel.

HRA's Response: HRA disagrees with this recommendation. Case managers are not responsible for obtaining client signatures on the Hotel Registry. It is the responsibility of the hotel managers to ensure that clients sign in. As stated in our response to recommendation #13, a Memorandum of Understanding (MOU) has been drafted that delineates the operating guidelines for all parties including the hotel landlords and DASIS. The MOU stipulates that the Hotel Registry must be completed weekly and submitted on a timely basis. When the hotels do not submit the registry on time, payment to the hotel will be held until such document is received and verified through on-site room checks and validation of signatures.

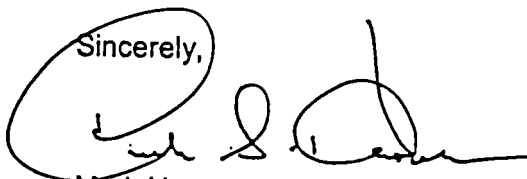
Auditors' Recommendation #15: Ensure that payments are made only to hotels providing service to clients who have signed the Commercial SRO(CSRO) Hotel Registry, in accordance with DASIS procedures.

HRA's Response: HRA agrees with this recommendation and has already taken steps to implement it. A Memorandum of Understanding (MOU) has been drafted that delineates the operating guidelines for all parties including the hotel landlords and DASIS. The MOU stipulates that the Hotel Registry must be completed weekly and submitted on a timely basis. When the hotels do not submit the registry on time, payment to the hotel will be held until such document is received and verified through onsite room checks and validation of signatures.

Auditors' Recommendation #16: Ensure that senior management, working in concert with the Director of the Billing Unit, develops a Procedures Manual for the Billing Unit.

HRA's Response: HRA agrees with this recommendation and has already taken steps to implement it. As part of our efforts to develop formalized procedures for the entire agency, a 1998 DASIS Housing Policy and Procedures Manual is being revised to outline the SRO billing operations. We expect the new Policy and Procedures Manual to be completed during FY' 1999.

We trust that our comments on the issues raised in the draft audit report will be reflected in the final report. Thank you again for the opportunity to provide this information.

Sincerely,

Mark Hoover