



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

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**Audit Report on the Department of Homeless Services'
Evaluation of Single Room Occupancy
Contractors' Performance**

FM99-114A

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EXECUTIVE SUMMARY

Background

The Department of Homeless Services (DHS) provides access to permanent and affordable housing for homeless and low-income single men and women through the Single Room Occupancy (SRO) Support Subsidy Program. The SRO Program uses City and State social service funding to contract with non-profit SRO operators. The SRO operators are required by contract to have qualified staff to provide services, including counseling, crisis intervention, and recreational activities, to a specified number of tenants.

DHS assigns a contract manager to each SRO contract to conduct field visits and analyze data, which is used to complete an annual *Performance Evaluation* for each SRO operator. DHS sends the *Performance Evaluations* to the Mayor's Office of Contracts (MOC), who enters the ratings into the Vendor Information Exchange System (VENDEX), a citywide computer system designed to retain, and be a source for, performance information on contractors and vendors. MOC developed VENDEX to ensure that City agencies monitor and evaluate the performance of every contractor doing business with the City, in compliance with Local Law 94.

Objectives, Scope, and Methodology

The objectives of our audit were to determine whether DHS adequately monitors SRO contractor performance, and whether VENDEX performance evaluation ratings are consistent with documentation maintained by DHS.

To review the procedures used to monitor and evaluate SRO operators, we interviewed DHS' former Assistant Commissioner for Adult Services, the SRO Program Director, SRO contract managers, and other relevant DHS personnel. We also reviewed the *Procurement Policy Board Rules*, the *VENDEX Contractor Performance Evaluation Instructions*, and DHS' *SRO Field Visit Guidelines*.

To determine whether DHS rated SRO operators in accordance with DHS' Performance Evaluation Instructions, we analyzed the Performance Evaluations for 56 SRO operators in fiscal year 1997, and 55 SRO operators in fiscal year 1998. We determined whether the overall ratings were indicative of the component ratings, and specifically, in those instances where an operator was cited for major programmatic deficiencies, we determined whether the deficiencies were reflected in the overall ratings.

We conducted analyses to determine whether the ratings on the Performance Evaluations for fiscal years 1997 and 1998 were supported by documentation (i.e., agency reports), and we determined whether information on the Performance Evaluations was consistent with information on VENDEX.

In addition, we reviewed DHS' Field Visit Reports to verify the number of field visits reported in the Performance Evaluations, and we conducted our own field visits to SRO facilities to determine whether the Field Visit Reports reflected conditions. Further, we interviewed the SRO Program Director and the contract managers to determine how they evaluated the appropriateness of the contractors' staffs.

Finally, we determined whether DHS withheld funding from the SRO operators who did not maintain a 95 percent occupancy rate, as required by the SRO contracts.

This audit was conducted in accordance with Generally Accepted Government Auditing Standards (GAGAS), and included tests of the records and other audit procedures we considered necessary. This 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.

Results in Brief

We found that certain SRO operators received satisfactory evaluations although they were cited by DHS contract managers for having major programmatic deficiencies. We also found that SRO operators are not always evaluated consistently. Consequently, SRO operators performing at the same level received different ratings. For example, six (67%) of nine SRO operators who were cited for major programmatic deficiencies in fiscal year 1997, received "satisfactory" ratings for both Overall Program Quality and Performance, and Contractor's Overall Performance. (The six operators were Columba Hall, Ega Hall, Gema Hall, Goddard Riverside Senate, Hotel Preservation Corp., and Miracle Markers, Inc.) In contrast, the remaining three (33%) SRO operators received "needs improvement" ratings in these areas.

We also found that, in some cases, the ratings on the Performance Evaluations were inconsistent with the ratings recorded in VENDEX. Specifically, we found three instances in fiscal year 1998 where the ratings for "Overall Quality of Fiscal Administration and Accountability" were left blank. However, our review of VENDEX revealed "satisfactory" ratings for these areas. For example, the fiscal year 1998 Performance Evaluation for Goddard Riverside Corner House SRO cited the operator for programmatic deficiencies but did not indicate ratings for Overall Program Quality and Performance, and Overall Quality of Fiscal Administration and Accountability. However, VENDEX displayed "satisfactory" ratings for both areas.

Additionally, we found that the Caring Communities SRO, operated by the Progress of People's Management Corporation, received "needs improvement" ratings for Contractor's Overall Performance on its fiscal years 1997 and 1998 Performance Evaluations. However, there is no record of the 1997 evaluation on VENDEX. Furthermore, VENDEX indicated a "satisfactory" rating for 1998.

Further, we found that DHS does not always adhere to its procedures for monitoring SRO operators. Specifically, we found that DHS did not always conduct four field visits a year to SRO facilities, as required by the Field Visit Guidelines. During fiscal year 1997, the contract managers conducted only 141 (63%) of the 224 field visits that should have been made to the 56 SRO facilities under contract. Only 5 (9%) of the 56 facilities were visited four times. We noted improvement in fiscal year 1998--the contract managers conducted 194 (88%) of the 220 field visits

required for 55 facilities. Thirty-two (58%) of the 55 facilities were visited four times.

We also found that some Performance Evaluations were incomplete. Specifically, 14 Performance Evaluations in fiscal year 1997, and 11 Performance Evaluations in fiscal year 1998, had certain tasks or the "Agency Certification of Contractor Response" (certifying that the contractor received and responded to the evaluation) that were left blank.

Finally, DHS does not always withhold the correct amount of funding from SRO operators who do not maintain a 95 percent occupancy rate. As a result, DHS failed to recoup \$60,970 from some SRO operators and over recouped \$6,583 from others in fiscal years 1997 and 1998. For example, the Caring Communities SRO operated by the Progress of People's Management Corporation had an occupancy rate of 90 percent for the period July through December 1997. Consequently, DHS should have recouped \$9,720, however, it did not. In another example, Columba Hall had an occupancy rate of 90 percent for the period January through June 1998. Therefore, DHS should have recouped \$5,127, however, again DHS did not recoup any funds.

Figure 1, at the end of this Executive Summary, illustrates the results of our review of DHS' Evaluation and Monitoring of SRO operators.

Recommendations

The report includes 20 recommendations to DHS. Some of the major recommendations include that DHS should:

- Review the Performance Evaluation Instructions with the contract managers to ensure that they understand the definitions of the ratings.
- Instruct the SRO Program Director and the SRO Director of Contracts to carefully review the Performance Evaluations to ensure that the overall ratings are consistent with the component task ratings.
- Instruct the SRO Program Director and the SRO Director of Contracts to carefully review the Performance Evaluations to ensure that they are complete.

- Instruct the SRO Director of Contracts and the contract managers to use a uniform guideline when rating SRO operators for "achievement of level of services." Any deviations should be explained on the evaluation.
- Instruct the SRO Program Director to document reasons why changes were made to the Performance Evaluations. This information should be included in the contract files.
- Meet with MOC to determine why some ratings posted on VENDEX are not consistent with the ratings on the Performance Evaluations. Periodically sample VENDEX to ensure that ratings posted on VENDEX correspond to the ratings on the Performance Evaluations.
- Require contract managers to review qualifications of SRO social service staff. This requirement should be included on the new Field Visit Reports.
- Instruct the SRO Program Director to ensure that the contract managers conduct the minimum number of field visits during each period.
- Adhere to its requirement that the contract managers conduct more visits and work closely with those SRO operators experiencing programmatic and/or fiscal problems.
- Instruct the SRO Program Director to ensure that funds are withheld from (non-exempt) operators who fail to maintain 95 percent occupancy rates.
- Ensure that the contract managers use the correct contract amounts and the correct occupancy rates when calculating the amounts to be withheld.
- Review the Field Visit Reports, and other monitoring tools, in detail prior to renewing contracts with SRO operators.

Discussion of Agency Response

The matters covered in this report were discussed with DHS officials during, and at the conclusion of, this audit. A

preliminary draft report was sent and discussed with DHS officials at an exit conference held on June 15, 1999. On June 16, 1999, we submitted a draft report to DHS officials with a request for comments. A written response was received from DHS officials on June 30, 1999.

DHS generally agreed with the report's findings and recommendations. In fact, DHS has taken steps to implement 19 of the 20 recommendations. However, DHS disagreed with the finding and recommendation requiring contract managers to review qualifications of SRO social service staff. DHS officials stated that it is not their policy to review staff qualifications, because SRO providers are expected to use appropriate staff, provide oversight of their staff, and monitor services offered. The full text of the written comments we received from DHS officials is included as an addendum to this report.

FIGURE 1

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INTRODUCTION

Background

The New York City Department of Homeless Services (DHS) provides temporary emergency shelter, outreach services, and access to permanent housing for the homeless. Through its Single Room Occupancy (SRO) Support Subsidy Program, established by New York State and New York City in 1987, DHS provides homeless and low-income single men and women with access to permanent and affordable housing in safe and secure environments. Under the SRO Program, DHS uses City and State social service funding to contract with non-profit SRO operators. The SRO operators provide various services including counseling, crisis intervention, and recreational activities.

Each contract requires that SRO operators provide services for a specified number of tenants, whose population is made of DHS referrals (60%), community referrals (20%), and housing needy tenants (20%).¹ The contracts require that operators maintain a 95 percent annual occupancy rate (following the first year of the contract), provide social services with a qualified staff, and develop and review tenant service plans.²

City agencies are required by Local Law 94 (passed in 1985) to monitor and evaluate the performance of every contractor doing business with the City, and to store this information centrally. In this regard, the Mayor's Office of Contracts

¹ Examples of housing needy tenants are people who have been evicted, people whose rents exceed 40 percent of their income, or people who are currently living in substandard housing.

² Tenant service plans are used to monitor and assess tenants in rehabilitation programs, job training, etc., to enable them to live independently.

(MOC)--charged with ensuring that agencies comply with Local Law 94--developed evaluation procedures and the Vendor Information Exchange System (VENDEX). VENDEX is a citywide computer system designed to retain, and be a source for, performance information on contractors and vendors.

SRO operators are evaluated on *Form 2*, a four-page VENDEX contractor performance evaluation form specifically intended for Human Service contractors. (See Attachment 1 for a copy of the VENDEX contractor performance evaluation form.) *Form 2* is divided into subsections with the following headings:

"Contract Schedule and Timeliness of Performance"
"Program Quality and Performance"
"Quality of Fiscal Administration and Accountability"

Each subsection is a checklist of several component tasks--which are rated on a five-point scale from "excellent" to "unsatisfactory"--followed by an overall rating. *Form 2* concludes with a single rating being assigned to the "Contractor's Overall Performance."

DHS assigns a contract manager to each SRO contract to monitor and evaluate programmatic and fiscal performance; to authorize expenditures, payments, and budget modifications; and to provide assistance to the operators. The contract managers monitor the SRO operators by conducting field visits to the facilities, and by reviewing the *Utilization Reports* (showing the average semi-annual and annual vacancy rates). The contract managers also review and certify the *Monthly Expense Reimbursement Requests* submitted by the SRO operators.

The contract managers use the information gathered in these reports, and their observations during field visits, to complete a *Form 2* for each SRO operator. The overall ratings for the three subsections and the rating for Contractor's Overall Performance on the completed forms are then entered by MOC into the VENDEX system for access by other City agencies.

Objectives

Our objectives were to determine whether:

- DHS adequately monitors SRO contractor performance; and,

- VENDEX performance evaluation ratings are consistent with documentation maintained by DHS.

Scope and Methodology

To gain an understanding of the procedures used to monitor and evaluate SRO operators, we interviewed DHS' former Assistant Commissioner for Adult Services, the SRO Program Director, SRO contract managers, and other relevant DHS personnel. We also reviewed the *Procurement Policy Board Rules* (PPB), the *VENDEX Contractor Performance Evaluation Instructions* (Performance Evaluation Instructions), and DHS' *SRO Field Visit Guidelines*. We reviewed VENDEX's *Form 2* (Performance Evaluation) with the SRO Program Director and the contract managers to determine the importance of each component task.

To determine whether DHS rated SRO operators in accordance with the Performance Evaluation Instructions, we analyzed the Performance Evaluations for 56 SRO operators in fiscal year 1997, and 55 SRO operators in fiscal year 1998.³ We determined whether the overall ratings were indicative of the component ratings. Specifically, in those instances where an operator was cited for major programmatic deficiencies, we determined whether the deficiencies were reflected in the "Overall Program Quality and Performance" ratings and the "Contractor's Overall Performance" ratings.⁴ When we found inconsistencies, we asked the contract managers for explanations.

We determined whether information on the Performance Evaluations was consistent with information recorded on VENDEX.

We conducted analyses to determine whether the ratings on the Performance Evaluations for fiscal years 1997 and 1998 were supported by documentation (e.g., Field Visit Reports and Utilization Reports) maintained by DHS.

³ Although there were 58 SRO operators under contract in fiscal year 1998, DHS only provided us with the evaluations for 55 SRO operators.

⁴ Based on discussions with the SRO Program Director and contract managers, the Program Quality and Performance subsection of the Performance Evaluation is emphasized more than the other subsections in determining Contractor's Overall Performance. Therefore, we focused our analyses on this subsection.

We also verified whether the appropriate ratings were given to contractors for "fulfillment of scope of services," and "achievement of level of services," (tasks listed under the Program Quality and Performance section on the Performance Evaluation). In that regard, we reviewed the information recorded on the Utilization Reports, which indicate occupancy rates, for fiscal years 1997 and 1998.

We also reviewed the ratings given for "staff appropriateness and continuity" (under the Program Quality and Performance section of the evaluation).⁵ Since DHS does not check the qualifications of staff hired by the SRO operators, we interviewed the SRO Program Director and the contract managers to determine how they evaluated the appropriateness of the contractors' staffs. To assess whether staffing conformed to the contract, we compared the job positions specified in the contracts to the positions listed on the Monthly Expense Reimbursement Requests submitted to DHS by the contractors. We determined from these reports whether positions remained vacant, and whether the vacancies impacted on the social services offered to residents. We also reviewed information contained in the SRO contract files.

We determined whether the ratings for "program procedures and methods," "program record keeping and reporting," and "physical environment and equipment" (under the Program Quality and Performance section of the evaluation) were consistent with DHS documentation. In addition, we conducted field visits to nine SRO facilities to determine whether the information in DHS' Field Visit Reports reflected the conditions of the facilities. Based on our observations, we concluded that the Field Visit Reports adequately reflected the conditions of the facilities.

We reviewed the Performance Evaluations to determine whether DHS conducted four field visits to each SRO facility during fiscal years 1997 and 1998. We also reviewed the Field Visit Reports to determine whether DHS actually performed the number of field visits reported in the Performance Evaluations. Specifically, we compared the Field Visit Reports to the Performance Evaluations for 10 SRO facilities whose contracts were renewed during fiscal years 1997 and 1998. Furthermore, we determined whether DHS

⁵ "Staff appropriateness" refers to experience, training, and competence. Continuity refers to whether staffing is in compliance with the contract, and employee turnover.

conducted quarterly field visits of these 10 facilities, as required by DHS' Field Visit Guidelines, during fiscal years 1997 and 1998.

Since DHS revised the Field Visit Guidelines and the Field Visit Reports during our audit, we interviewed the former Assistant Commissioner for Adult Services and the SRO Program Director to determine why these revisions were made. We also made comparisons between the old and new guidelines and Field Visit Reports.

We determined whether DHS withheld funding from the SRO operators who did not maintain a 95 percent occupancy rate, as required by the SRO contracts. To perform this analysis, we reviewed the Utilization Reports to determine which operators did not maintain the 95 percent occupancy rate during fiscal years 1997 and 1998. (We excluded the operators who were given an exemption by the SRO Program Director.) We determined the funding that should have been withheld and compared our calculations to the amounts that were actually withheld by DHS. We determined the total funding that DHS withheld by reviewing the disallowance letters sent to the SRO operators; the memoranda sent by the contract managers to DHS' Office of Finance; the Office of Finance's year-end Closeout Statements; and the Integrated Financial Management System's (IFMS) Transaction Reports, which listed the disbursements made to SRO operators.

The audit was conducted in accordance with Generally Accepted Government Auditing Standards (GAGAS) and included tests of the records and other auditing procedures considered necessary. This 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.

Discussion of Agency Response

The matters covered in this report were discussed with DHS officials during, and at the conclusion of, this audit. A preliminary draft report was sent and discussed with DHS officials at an exit conference held on June 15, 1999. On June 16, 1999, we submitted a draft report to DHS officials with a request for comments. A written response was received from DHS officials on June 30, 1999.

DHS generally agreed with the report's findings and recommendations. In fact, DHS has taken steps to implement 19 of the 20 recommendations. However, DHS disagreed with the finding and recommendation requiring contract managers to review qualifications of SRO social service staff. DHS officials stated that it is not their policy to review staff qualifications, because SRO providers are expected to use appropriate staff, provide oversight of their staff, and monitor services offered. The full text of the written comments we received from DHS officials is included as an addendum to this report.

***OFFICE OF THE COMPTROLLER
NEW YORK CITY***

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FINDINGS AND RECOMMENDATIONS

We found that certain SRO operators received satisfactory evaluations even though they were cited by DHS contract managers for having major programmatic deficiencies. Further, SRO operators are not always evaluated consistently. As a result, SRO operators received different ratings for the same level of performance.

Further, we found that DHS does not always adhere to its own procedures for monitoring SRO operators. Specifically, we found that DHS did not always conduct four field visits a year to SRO facilities, as required by the Field Visit Guidelines. During fiscal year 1997, the contract managers conducted only 141 (63%) of the 224 field visits that should have been made to the 56 SRO facilities under contract. We did note some improvement in fiscal year 1998--the contract managers conducted 194 (88%) of the 220 field visits required for 55 facilities.

We also found that some Performance Evaluations were incomplete. Specifically, 14 Performance Evaluations in fiscal year 1997, and 11 Performance Evaluations in fiscal year 1998, had certain tasks or the "Agency Certification of Contractor Response" (certifying that the contractor received and responded to the evaluation) that were left blank.

Finally, DHS does not always withhold the correct amount of funding from SRO operators who do not maintain a 95 percent occupancy rate. As a result, DHS failed to recoup \$60,970 from some SRO operators and over recouped \$6,583 from others in fiscal years 1997 and 1998.

Figure 1, on the next page, illustrates the results of our review of DHS' Evaluation and Monitoring of SRO operators.

FIGURE 1

The following sections of this report discuss our findings in further detail.

Some Contractors Received Overall Ratings of Satisfactory Even Though They Were Cited for Major Programmatic Deficiencies

Five (38%) of 13 SRO operators who were cited for major programmatic deficiencies in fiscal year 1998 still received "satisfactory" ratings in the Contractor's Overall Performance rating category. (The five operators are Jericho Residence I, Jericho Residence II, BRC Human Services Clyde Burton, Goddard Riverside Corner House, and Asian Americans for Equality.) Of these five operators, one received a "satisfactory" rating for Overall Program Quality and Performance, and three were given no rating for Overall Program Quality and Performance. Only one of the five was rated "needs improvement" for Overall Program Quality and Performance. Similarly, of nine SRO operators who were cited for major programmatic deficiencies in fiscal year 1997, six (67%) received "satisfactory" ratings for both Overall Program Quality and Performance, and Contractor's Overall Performance. (The six operators were Columba Hall, Ega Hall, Gema Hall, Goddard Riverside Senate, Hotel Preservation Corp., and Miracle Makers Inc.)

The Program Quality and Performance subsection of the Performance Evaluation form contains the following seven component tasks: fulfillment of scope of services, achievement of level of services, staff appropriateness and continuity, procedures and methods, record keeping and reporting, physical environment and equipment, and adherence to target populations and areas. The subsection also indicates the number of site visits made to the facility and whether major programmatic deficiencies were identified during the evaluation period. These component ratings are used to determine the rating for Overall Program Quality and Performance.

The Performance Evaluation Instructions define a "satisfactory" rating to mean that the contractor has fully or substantially met all the contractual requirements. The Performance Evaluation Instructions define major programmatic deficiencies as serious deviations from the contractual requirements for service provisions. Accordingly, the SRO

operators cited for major programmatic deficiencies should not have received "satisfactory" ratings for Overall Program Quality and Performance, or Contractor's Overall Performance. Furthermore, contract managers agreed that a major programmatic deficiency would automatically result in a contractor receiving "needs improvement" ratings for both Overall Program Quality and Performance, and Contractor's Overall Performance.

Three of the SROs that received "satisfactory" ratings for Overall Program Quality and Performance, and Contractor's Overall Performance in fiscal year 1997, despite being cited on their evaluations for major programmatic deficiencies, are operated by Columba Kavanaugh House, Inc. The three SROs--Columba Hall, Ega Hall, and Gema Hall--all were cited for fiscal deficiencies as well. The contract manager noted on the Performance Evaluations for Columba Hall and Ega Hall that DHS had reduced the length of their contracts due to poor performance. Columba Hall and Ega Hall were initially given six-year contracts, but both contracts were changed during fiscal year 1998 to one-year contracts with options to renew for two years, followed by options to renew for three years. Clearly, it was not appropriate for DHS to give Columba Kavanaugh House "satisfactory" ratings in these cases.

When we presented the contract manager assigned to these three SROs with our findings, he informed us that he never gave "satisfactory" ratings for Overall Program Quality and Performance, and Contractor's Overall Performance as indicated on the three Performance Evaluations that we obtained from DHS' Contract Unit. The contract manager stated that he gave the three SROs "needs improvement" ratings in these areas.

Another contract manager informed us that he initially gave an SRO operator "needs improvement" ratings for Overall Program Quality and Performance, and Contractor's Overall Performance. However, he was instructed by the SRO Program Director to change the Contractor's Overall Performance rating to "satisfactory."

It should be noted that the SRO contract files did not contain any documentation to support rating changes. Therefore, we could not determine why the evaluations did not reflect the information conveyed to us by the contract managers.

Since the PPB rules require City agencies to review contractors' performance information contained in VENDEX before entering into contracts, it is imperative that ratings reflect

actual performance. Furthermore, it is important that contractors' deficiencies be reflected in the overall ratings, since only the overall ratings are recorded in VENDEX. By not ensuring that evaluations are complete and that they reflect actual performance, SRO operators are not compelled to correct problems, contracts are renewed without complete information, and City agencies can be misled about contractors' performance.

Inconsistent and Incomplete Performance Evaluations

We found that operators received different ratings for the same level of performance. Specifically, nine SRO operators in fiscal year 1997 and eight SRO operators in fiscal year 1998, received "satisfactory" or "very good" ratings for "achievement of level of services," although the Utilization Reports indicated that the required 95 percent occupancy rate was not maintained. (The occupancy rates ranged from 85 to 94 percent for the nine facilities in fiscal year 1997, and from 91 to 94 percent for the eight facilities in fiscal year 1998.) In contrast, 20 other facilities with occupancy rates ranging from 86 to 94 percent received "needs improvement" ratings for "achievement of level of services," during the same two fiscal years.

According to the SRO Program Director, SRO operators who do not maintain (annual) occupancy rates of 95 percent or greater, should be rated "needs improvement" for "achievement of level of services." However, based on our review, we found that only one of the four contract managers is using this criterion.

Three of the four contract managers told us that they do not always give "needs improvement" ratings to SRO operators with occupancy rates of less than 95 percent. One of the three contract managers explained that she does not always give a "needs improvement" rating because, as an example, SRO operators that have specific target populations or stringent admission policies may have difficulty renting units. The remaining contract manager told us that he always gives a "needs improvement" rating to any operator with occupancy rates below 95 percent.

We also found several other inconsistencies that were not explained, since there were no comments on the Performance Evaluations. For example, two SROs operated by the Jericho

Project received "needs improvement" ratings for "achievement of level of services required by the contract" and "program record keeping" and were not cited for major programmatic deficiencies during fiscal year 1997. However, two other SRO operators with the same ratings were cited for major programmatic deficiencies on their evaluations.

Further, seven SROs received "needs improvement" ratings for "achievement of level of services required by the contract" and were cited for major programmatic deficiencies during fiscal year 1998. Although all seven operators were cited for the same deficiencies four of them received "satisfactory" ratings and three received "needs improvement" ratings for Contractor's Overall Performance.

We also found three instances in fiscal year 1998 where the ratings for "Overall Quality of Fiscal Administration and Accountability" were left blank. However, our review of VENDEX revealed "satisfactory" ratings for these areas. For example, the fiscal year 1998 Performance Evaluation for Goddard Riverside Corner House SRO cited the operator for programmatic deficiencies but did not indicate ratings for Overall Program Quality and Performance, and Overall Quality of Fiscal Administration and Accountability. However, VENDEX displayed "satisfactory" ratings for both areas.

Additionally, we found that the Caring Communities SRO, operated by the Progress of People's Management Corporation, received "needs improvement" ratings for Contractor's Overall Performance on its fiscal years 1997 and 1998 Performance Evaluations. However, there is no record of the 1997 evaluation on VENDEX. Furthermore, VENDEX indicated a "satisfactory" rating for 1998.

Furthermore, we found 14 Performance Evaluations in fiscal year 1997, and 11 Performance Evaluations in fiscal year 1998, where certain tasks or the "Agency Certification of Contractor Response" (certifying that the contractor received and responded to the evaluation) were left blank. According to the Performance Evaluation Instructions, the Agency Chief Contracting Officer, or a designee, should review the Performance Evaluations before signing them to ensure that the evaluations are complete.

It is important that DHS evaluate SRO operators consistently to ensure that they correct any deficiencies and continually provide the highest level of service. Also, as a matter of simple fairness, it seems reasonable to expect that all SRO operators be evaluated the same way.

Recommendations

The Department of Homeless Services should:

1. Review the Performance Evaluation Instructions with the contract managers to ensure that they understand the definitions of the ratings.

DHS' Response: "Existing guidelines are being expanded to be more specific to questions in the performance evaluations. Written criteria are being prepared for each rating and will allow contract managers to better document the justifications for the ratings. Revised guidelines will be reviewed with contract managers to ensure they understand the definition of the ratings."

2. Instruct the SRO Program Director and the SRO Director of Contracts to carefully review the Performance Evaluations to ensure that the overall ratings are consistent with the component task ratings.

DHS' Response: "We do not think that overall ratings should always be a direct extension of the component task ratings. Based on the particular circumstances of a program, external problems and the effect of those problems on the program and tenants, categories and components may be rated differently. A major deficiency in a component does not necessarily equate to an overall needs improvement rating. For example, a component task may receive a needs improvement rating and be cited as a major deficiency, but if it is corrected satisfactorily or is in the process of being corrected, we feel that it should not be negatively reflected on an overall rating in the evaluation. It is the philosophy of the agency to work cooperatively with providers as long as possible to affect corrective action in a positive manner rather than to use ratings or contract actions punitively."

"However, as indicated in our response to recommendation 1, existing guidelines are being expanded to be specific to questions in the performance evaluations. Written criteria are being prepared for each rating and will allow contract managers to better document the justifications for the ratings."

Auditors' Comments: Although DHS agreed with Recommendation 2, we disagree with DHS' belief that major deficiencies do not necessarily equate to an overall "needs improvement" rating if the deficiencies are corrected or are in the process of being corrected. As stated in the report, the Performance Evaluation Instructions define major programmatic deficiencies as serious deviations from the contractual requirements for service provisions. Performance Evaluation ratings should reflect actual conditions for the evaluation period. Ratings should not be upgraded until corrective action plans are fully implemented. While consideration can be made for SRO operators aggressively handling deficiencies, we found no evidence of any corrective action plans for those SRO operators who received overall ratings of satisfactory even though they were cited for major programmatic deficiencies. Furthermore, this finding did not include instances where major programmatic deficiencies were cited and corrective action plans were implemented.

3. Instruct the SRO Program Director and the SRO Director of Contracts to carefully review the Performance Evaluations to ensure that they are complete.

DHS' Response: "The Director of Contracts and the Program Director will strengthen the review process to ensure that all applicable items are completed. As part of the process, the contract manager and the Director of Contracts will be required to initial each page to indicate it has been reviewed and completed."

4. Instruct the SRO Program Director to document reasons why changes were made to the Performance Evaluations. This information should be included in the contract files.

DHS' Response: "Changes to performance evaluations may be required as part of the natural process of supervisory review. However, as part of the revised procedure, any change to the actual performance evaluation rating that appears inconsistent with other information with other information in the evaluation will be clarified and documented."

5. Instruct the SRO Director of Contracts and the contract managers to use a uniform guideline when rating SRO operators for "achievement of level of services." Any deviations should be explained on the evaluation.

DHS' Response: "As indicated in our response to recommendation 1, existing guidelines are being expanded to be specific to questions in the performance evaluations. Written criteria are being prepared for each rating and will allow contract managers to better document the justifications for the ratings."

6. Instruct the contract managers to review and apply the information on the Utilization Reports when determining the ratings for "achievement of level of services."

DHS' Response: "As indicated in our response to recommendation 1, existing guidelines are being expanded to be specific to questions in the performance evaluations. Written criteria are being prepared for each rating and will allow contract managers to better document the justifications for the ratings."

"Utilization was waived for FY'99 because of an emergency that required DHS to freeze referrals to all SROs for several months and to ask that vacant units not be rented and be set aside for emergency use. Therefore, this will apply with the FY'00 submission of Performance Evaluations."

7. Meet with MOC to determine why some ratings posted on VENDEX are not consistent with the ratings on the Performance Evaluations. Periodically sample VENDEX to ensure that ratings posted on VENDEX correspond to the ratings on the Performance Evaluations.

DHS' Response: "The ACCO's Office will meet with MOC to discuss this recommendation.

"Regarding the second sentence in the recommendation - this office disagrees with the appropriateness of an agency performing quality control for an oversight entity. However, we will explore whether the ACCO's Office workload will allow "periodic" (frequency to be defined) check to take place."

8. Contact the Mayor's Office of Contracts and request that the Contractor's Overall Rating for the Caring Communities SRO operated by Progress of People's Management be posted for fiscal year 1997 and corrected for fiscal year 1998.

DHS' Response: "The ACCO's Office will immediately send MOC the above evaluations with a cover memorandum explaining what needs to be done to comply with this recommendation."

DHS Does Not Check Staff Qualifications or Properly Monitor Staff Continuity

SRO contracts require that services at the facilities be administered and supervised by qualified staff. DHS, however, does not check the qualifications of the staff at the SRO facilities because, according to the SRO Program Director, DHS does not want to micro-manage SRO operators.

Our audit found that the ratings given on the Performance Evaluations for "staff appropriateness and continuity" during the audit period applied only to continuity, i.e., DHS evaluates staff turnover but does not evaluate the qualifications of staff. In fact, DHS removed the rating category related to the qualifications of SRO staff from the newly revised Field Visit Report, which it started using in November 1998. However, since the primary purpose of the SRO program is to provide supportive social services, DHS should consider the qualifications of the staff to be of major importance.

The SRO Program Director stated that appropriateness is basically evaluated through the performance of the SRO. According to the Director, unqualified staffing would affect the quality of

the services, and would ultimately result in poor ratings. It should be noted that some contract managers indicated that they expressed their concerns about the quality of social service staffing at some of the SRO facilities, to the SRO Program Director, and were offered the same explanation.

Although DHS officials stated that continuity is being monitored at the facilities, we found that the ratings for "staff appropriateness and continuity" on the Performance Evaluations did not accurately reflect actual staffing conditions at the facilities.

For example, Columba Hall and Gema Hall received "satisfactory" ratings for "staff appropriateness and continuity" on their fiscal years 1997 and 1998 Performance Evaluations, even though these facilities had long-term staff vacancies. In fact, a memorandum dated February 26, 1999, from the Executive Director of Columba Kavanaugh House (the operator for Columba Hall and Gema Hall) to the former DHS Assistant Commissioner of Adult Services, states that staff vacancies had left residents without support services. Specifically, a house counselor position and a recreation coordinator position at Columba Hall, and a house counselor position at Gema Hall, have been vacant for significant periods of time. In fact, the Gema Hall house counselor position was vacant for about three years.

In another example, the management director position at the Institute for the Puerto Rican Elderly was vacant during fiscal years 1997 and 1998, and the resident services coordinator position was vacant for 7 months during fiscal year 1997. Nevertheless, the SRO operator received a "satisfactory" rating for "staff appropriateness and continuity" on the fiscal year 1997 Performance Evaluation. The contract manager noted on the 1997 Performance Evaluation that the SRO operator assured DHS that the management director position would be filled. The 1998 Performance Evaluation contains no rating for "staff appropriateness and continuity," although a "needs improvement" rating should have been given. It should be noted that this SRO operator received a "very good" rating for Overall Program Quality and Performance.

Recommendations

The Department of Homeless Services should:

9. Require contract managers to review qualifications of SRO social service staff. This requirement should be included on the new Field Visit Reports.

DHS' Response: "DHS does not agree with this recommendation and finding. A provider is selected on its ability to run an SRO and is expected to use appropriate staff, provide oversight of its staff and supervise the provision of the services offered. In many cases, DHS funding is provided to an SRO to enhance already existing services being provided by incumbent staff.

"However, DHS will review the SRO contract to determine if language regarding the review of staff qualifications is consistent with DHS policy and will revise the contract as required. New language, if appropriate, will become effective as current contracts are renewed and will be reflected in performance evaluations."

Auditors' Comments: According to Article 1.2 of DHS' SRO contracts, "[t]he services to be provided pursuant to this Agreement shall be administered and supervised by qualified full-time and/or part-time employees of the Contractor. A description of the qualifications and duties of these employees is annexed hereto and incorporated herein. . . ." It is important for DHS to ensure that SRO social service staff have the qualifications to provide the services specified under the contract. In fact, other City agencies conduct such reviews. For example, the Administration for Children's Services requires day care providers to submit evidence that their employees meet minimum qualifications. By implementing such procedures, DHS will have reasonable assurance that program staff have the required education and experience to perform their duties. Therefore, we strongly suggest that DHS reconsider this recommendation.

10. Instruct the contract managers to closely monitor SRO staff continuity with an emphasis on social service staff.

DHS' Response: "DHS does not agree with this recommendation as written. Many positions, including social services, are funded through rental income or other funding sources and are not budgeted to DHS. These positions should not be monitored by DHS contract managers. However, staff vacancies will be monitored for positions that are budgeted to the DHS contract and a hiring plan will be required for vacant positions that affect the delivery of service."

Auditors' Comments: Our findings and this recommendation pertain only to DHS funded social service staff. As explained in our report, we assessed staff continuity by comparing job positions specified in the SRO contracts to the positions listed on the Monthly Expense Reimbursement Requests submitted to DHS by its SRO operators. In any case, we are glad that DHS has agreed to take steps to minimize the number of vacancies at SRO facilities.

11. Ensure that ratings for "staff appropriateness and continuity" accurately represent staffing conditions at SRO facilities.

DHS' Response: "As indicated in our response to recommendation 1, existing guidelines are being expanded to be specific to questions in the performance evaluations. Written criteria are being prepared for each rating and will allow contract managers to better document the justifications for the ratings."

DHS Could Not Always Provide Documentation to Substantiate Field Visits Indicated on the Performance Evaluations

According to the Performance Evaluation Instructions, DHS must maintain Field Visit Reports in its contract files to support the number of field visits recorded on the Performance Evaluations. We found that DHS could not substantiate the number of field visits on the Performance Evaluations for the 10 facilities we sampled. Specifically, DHS provided us with only 9 Field Visit Reports for fiscal year 1997, even though the Performance Evaluations indicate that at least 25 visits were

conducted.⁶ For fiscal year 1998, DHS provided 27 Field Visit Reports, even though the Performance Evaluations indicate that at least 33 field visits were made.

The SRO Program Director and the contract managers stated that they were unable to provide us with all of the Field Visit Reports because some were mistakenly discarded and others could not be located. Without Field Visit Reports, there is no assurance that SROs are being monitored in accordance with DHS' procedures.

DHS Did Not Adhere to the Guidelines for Conducting Field Visits

Field visits by contract managers are essential to monitoring and evaluating the SRO operators. The guidelines in use during fiscal years 1997 and 1998 required contract managers to make quarterly field visits to each facility, with at least one visit being unannounced. Contract managers were also required to visit SROs experiencing programmatic and/or fiscal problems more frequently. Based on our review of the Performance Evaluations, we found that these guidelines were not followed.

During fiscal year 1997, the contract managers conducted only 141 (63%) of the 224 field visits that should have been made to the 56 SRO facilities under contract. Only 5 (9%) of the 56 facilities were visited four times.

We selected a sample of 10 facilities and analyzed the number and the dates of the field visits to determine the frequency of the visits conducted. For fiscal year 1997, we found that none of the 10 facilities were visited quarterly. One facility was visited twice, seven were visited once, and the remaining two were not visited at all during the fiscal year.

We noted improvement in fiscal year 1998. Specifically, we found that, the contract managers conducted 194 (88%) of the 220

⁶ Since "4+" is indicated on a Performance Evaluation when a facility gets more than four field visits during a fiscal year, we were not always able to determine the exact number of reported field visits. For the purposes of this analysis, we were conservative and considered that only four field visits were conducted.

field visits required for 55 facilities.⁷ Thirty-two (58%) of the 55 facilities were visited four times, an improvement over the preceding year, but still short of the DHS guidelines.

In fiscal year 1998, one of our ten sampled facilities was visited quarterly in accordance with the DHS guidelines. Of the other nine facilities, five facilities were visited three times and four were visited twice. For two of the nine facilities, all the field visits were made within the same quarter.

While conducting our review, we found that the SRO Program Director did not have procedures to track field visits. When we inquired about this, in November 1998, the Director told us that he was "aware of when [the contract managers] went out." In April 1999, we were provided with documentation indicating that the SRO Program Director had started to track field visits in fiscal year 1999.

In November 1998, DHS revised the Field Visit Guidelines and the Field Visit Reports. The new guidelines require that each facility receive only (a minimum of) two semi-annual field visits, with one visit being unannounced. The Director justified revising the guidelines by explaining that most SRO operators meet or exceed their contractual requirements, negating the need to conduct four quarterly visits. In his opinion, and in the opinion of the former Assistant Commissioner of Adult Services, the revised guidelines will give the contract managers more time to visit and assist those SRO operators who are experiencing programmatic and/or fiscal problems.

We conducted a test to determine whether the new guidelines were effective in bringing added assistance to those SRO operators experiencing programmatic and/or fiscal problems. We asked the contract managers how often, between December 1998 and April 1999, they visited the eight SRO operators that received "needs improvement" ratings for Contractor Overall Performance on their 1998 Performance Evaluations. We found that only two of the facilities were visited twice, and that six of the facilities were visited once. We also found that the contract managers were not aware that the guidelines had been changed, so that they could spend more time assisting operators having problems.

⁷ Although there were 58 SROs under contract in fiscal year 1998, we could not determine the number of field visits made to three facilities.

For example, one contract manager informed us that she was instructed to delay her field visits to the Caring Communities SRO--three separate locations--operated by the Progress of People's Management Corporation, in order to allow them time to correct their programmatic deficiencies. According to the fiscal year 1998 Performance Evaluation, this SRO operator received "needs improvement" ratings for all seven component tasks within Program Quality and Performance as well as a "needs improvement" for Contractor's Overall Performance.

We also noted that DHS renewed the contract with the Progress of People's Management Corporation for only one year (ending June 30, 1999), because the operator received "needs improvement" ratings for Program Quality and Performance in fiscal years 1997 and 1998. A Final Recommendation for Award memo from DHS to the City Chief Procurement Officer justified the renewal by stating that the contract was being renewed to assist the operator in implementing a corrective action plan. DHS stated in its memo that it planned to terminate the contract if the plan was not implemented, but that it (DHS) could not afford to lose 225 units of housing ". . . without first exhausting every avenue to improve the performance of the contractor."

Nevertheless, the contract manager only visited the three locations operated by the Progress of People's Management Corporation in July 1998 and did not make any other visits until March and April 1999. Thus, we question whether the revised guidelines requiring two field visits are accomplishing what DHS intended.

Recommendations

The Department of Homeless Services should:

12. Ensure that the contract files contain copies of all Field Visit Reports.

DHS' Response: "A standardized filing system will be set up for each contract each fiscal year."

13. Instruct the SRO Program Director to ensure that the contract managers conduct the minimum number of field visits during each period.

DHS' Response: "As noted on page 18 of the Draft report, a new field visit tracking method was implemented during FY'99 to ensure that the contract managers conduct the minimum number of field visits during each period. In addition, in the event of a prolonged staff absence, the Program Director, in consultation with the Assistant Commissioner, will determine the appropriate coverage schedule for field visits."

14. Adhere to its requirement that the contract managers conduct more visits and work closely with those SRO operators experiencing programmatic and/or fiscal problems.

DHS' Response: "Our revised current procedures acknowledge the importance of field visits as a tool to provide technical assistance to implement corrective action. However, field visits may not be the most appropriate way to resolve program or fiscal problems. Based on the nature and complexity of the issues requiring resolution, discussions may be needed between the executive staff of the contractor, DHS and other organizations and agencies. On-site observations may not always be relevant to the issues and problems under discussion. Therefore, DHS must determine the circumstances and frequency under which the contract manager should make more than the minimum number of field visits."

Auditors' Comments: As stated in the report, DHS' sole justification for reducing the required number of field visits to SROs was to allow contract managers more time to visit and assist those SROs experiencing problems. However, we found no evidence that DHS expended any extra time and effort to SROs that were cited on their evaluations for having significant problems. Therefore, the program is not realizing any benefit from this change in DHS' monitoring procedures.

DHS Did Not Always Withhold Funding from Contractors that Did Not Meet Occupancy Requirements

DHS did not withhold \$60,970 in funding from SRO operators that did not maintain (annual) 95 percent occupancy rates during fiscal years 1997 and 1998. The SRO operators are contractually required to maintain a 95 percent occupancy rate, which is calculated semi-annually for the periods July through December and January through June. If the 6-month average is below 95 percent, DHS can withhold funding in proportion to the reduced level of utilization. The funding is supposed to be reimbursed if the yearly average equals or exceeds 95 percent.

Based on our review of DHS' Shelter Placement Division's Utilization Reports for fiscal years 1997 and 1998, and discussions with the SRO Program Director, we found 28 instances in fiscal year 1997, and 30 instances in fiscal year 1998, where SRO operators did not meet a 95 percent occupancy rate for both 6-month periods, or one 6-month period and the year. Each 6-month period that a 95 percent occupancy rate was not maintained was considered an instance, as long as the 95 percent threshold was not met by the end of the year.⁸

Our analyses found that DHS did not recoup the correct funding for 15 (54%) of the 28 instances in 1997, and 18 (60%) of the 30 instances in 1998. As a result, DHS did not recoup \$60,970 (26 instances), and over recouped \$6,583 (7 instances) in fiscal years 1997 and 1998. For example, the Caring Communities SRO operated by the Progress of People's Management Corporation had an occupancy rate of 90 percent for the period July through December 1997. Consequently, DHS should have recouped \$9,720, however, it did not. In another example, Columba Hall has an occupancy rate of 90 percent for the period January through June 1998. Therefore, DHS should have recouped \$5,127, however, again DHS did not recoup any funds. (Attachment 2 contains a list of the SRO operators and the amounts to be recouped or remitted.) Our findings are shown in Table I.

⁸ We excluded six SROs that were exempted by DHS from maintaining a 95 percent occupancy rate.

TABLE I

Funding Withheld From Operators With < 95% Occupancy
Fiscal Years 1997 and 1998

Description	Fiscal Year 1997		Fiscal Year 1998		Total Amounts
	Instances	Amount	Instances	Amount	
DHS Did Not Recoup Any Funds	10	\$31,961	10	\$25,029	\$56,990
DHS Made Partial Recoupments	3	\$ 3,657	3	\$ 323	\$ 3,980
Total Under Recoupments	13	\$35,618	13	\$25,352	\$60,970
DHS Over Recouped	2	\$ 3,433	5	\$ 3,150	\$ 6,583

We found five instances in fiscal years 1997 and 1998 where SRO operators did not maintain a 95 percent occupancy rate for the 6-month period from July to December, but did achieve a 95 percent average for the year. In these five instances, DHS should have recouped funding at the end of the 6-month period, and then reimbursed the operators at the end of the fiscal year. In two of the five instances this did occur, but in two instances DHS did not recoup any funds; in the fifth instance DHS recouped \$1,692, but did not make the reimbursement. Neither the SRO Program Director nor the contract manager could explain why the reimbursement was not made.

It is important that DHS enforce the requirement that SRO operators maintain a 95 percent occupancy rate to ensure that operators make every effort to fulfill this contractual obligation. Further, the recoupment process, if done correctly, will ensure that operators are only paid for services actually provided.

Recommendations

The Department of Homeless Services should:

15. Instruct the SRO Program Director to ensure that funds are withheld from (non-exempt) operators who fail to maintain 95 percent occupancy rates.

DHS' Response: "A procedure has been developed to ensure that funds are withheld from operators who fail maintain 95 percent occupancy rates and that waivers are granted to those operators who demonstrate the need for exemptions to the 95 percent occupancy requirement. A new notification letter to the providers was also developed as part of the procedure that will include dates, contract amounts and percentages. This will facilitate the reviewer's ability to ensure that the correct amounts and percentages are used when calculating the amounts to be withheld. The letters will be submitted to providers to notify them of deductions and reimbursements and to DHS Finance to instruct them to make the appropriate deduction. As noted in our response to recommendation 6, the next utilization period is July 1999 to December 1999. Utilization occupancy will be calculated January 2000."

16. Ensure that the contract managers use the correct contract amounts and the correct occupancy rates when calculating the amounts to be withheld.

DHS' Response: "As indicated in our response to recommendation 15, a procedure has been developed to address this issue. However, it should be noted (as stated in our response to recommendation 6) utilization was waived for FY'99. The next utilization period is July 1999 to December 1999. Utilization occupancy will be calculated January 2000."

17. Ensure that the contract managers instruct DHS' Office of Finance to reimburse SRO operators who should be reimbursed at the end of a fiscal year.

DHS' Response: "As indicated in our response to recommendation 15, a procedure has been developed to address this issue. However, it should be noted (as stated

in our response to recommendation 6) utilization was waived for FY'99. The next utilization period is July 1999 to December 1999. Utilization occupancy will be calculated January 2000."

18. Recoup from or remit to the SRO operators the amounts listed in Attachment 2 of this report.

DHS' Response: "DHS will review Attachment 2. Any amounts owed to providers will be refunded. Utilization deductions cited as not made will be further reviewed to determine whether deductions were not made due to waivers that should have been granted. DHS will notify all providers of the status of any outstanding utilization, but penalties will not be assessed retroactively."

Auditors' Comments: It is important for DHS ensure that the City pays only for those services actually provided by the SROs. Therefore, we strongly urge DHS to follow its procedures and recoup funds from those SROs that did not meet the required 95 percent occupancy rate. It should be noted that all SROs that were granted waivers by DHS were excluded from this analysis.

DHS Renewed a Contract That Should Not Have Been Renewed

In December 1998, officials from DHS and the Jericho Project (Jericho) made a formal decision to close the SRO located at the Devon Hotel within a year. Only 18 months earlier, DHS renewed the \$691,200 contract with Jericho for a 6-year term--July 1, 1997 through June 30, 2003--despite the fact that the SRO had a history of poor performance.⁹ (Although Jericho does not own the hotel, Jericho's contract required it to be responsible for all repairs and maintenance.)

Prior to renewing the contract, the DHS contract manager rated Jericho as "unsatisfactory" on a Field Visit Report. Following the renewal, the contract manager repeatedly cited Jericho for poor performance and recommended that the contract be terminated.

⁹ The Devon Hotel is located at 306 West 94th Street. Jericho was contracted to provide services for 64 residents.

According to the contract manager and Jericho's Clinical Director, discussions to terminate the contract began as early as January 1998--only 6 months after it was awarded. The following chronology shows that the contract should never have been renewed for a 6-year term. (At most, the renewal should have been for a year to allow DHS to relocate the residents.)

August 5, 1996: The SRO Program Director rated Jericho as "satisfactory" on all component tasks and on the Contractor's Overall Performance (FY 1996 Performance Evaluation). Based on the results of that evaluation, only one field visit was conducted.

November 15, 1996: The newly assigned contract manager visited Jericho and gave it an overall "unsatisfactory" rating on the Field Visit Report. The contract manager cited Jericho for not offering mental health services and for not updating client case records since 1995. The contract manager noted that the staff was not qualified to deal with the client population, and also cited the poor general maintenance and physical condition of the building. (It should be noted that these problems were not identified by the previous contract manager assigned to monitor this SRO.)

April 23, 1997: DHS' ACCO stated in her Recommendation for Award memorandum to the City's Chief Procurement Officer that the contract with Jericho should be renewed because it was a responsible provider and was rated "satisfactory" for Contractor's Overall Performance on its fiscal year 1996 Performance Evaluation.

June 19, 1997: DHS renewed the contract with Jericho for 6 years. The contract was for \$691,200.

September 30, 1997 through June 26, 1998: The contract manager conducted four field visits to the facility. For each visit, Jericho received "needs improvement" on its overall ratings.

Jericho also received a "needs improvement" rating for Contractor Overall Performance in fiscal year 1997, and an "unsatisfactory" rating for Contractor Overall Performance in fiscal year 1998.

On July 10, 1998, in a memorandum to the SRO Program Director, the contract manager stated that "[s]ince October 1996 . . . I have not found the SRO structurally safe and clean for human living. My recommendation is that tenants should not be living [in] conditions like this. I think [the] time has come for DHS to reconsider funding this SRO Project." The contract manager told us that he believed from the time that he was assigned to monitor this SRO--October 1996, that DHS should have terminated the contract. On January 8, 1999, we visited the Devon Hotel with the contract manager and found the conditions to be consistent with those he reported.

According to the Jericho Project's Executive Director, the poor physical conditions were due to a "lack of site control" (i.e., the operator does not own the property), and the landlord's unwillingness to make repairs. Further, DHS should not have renewed this contract because NYS Social Services Law prohibits an SRO (in this program) from being located in a hotel, motel, or other dwelling occupied transiently. Since the Jericho Project operates this SRO in the Devon Hotel, a commercial SRO, DHS should not have had a contract with Jericho for this site.

We asked the former Assistant Commissioner for Adult Services why DHS had contracted with an SRO operator that did not have site control. She answered that the (original) contract was entered into prior to her employment with DHS.

Recommendations

The Department of Homeless Services should:

19. Review the Field Visit Reports, and other monitoring tools, in detail prior to renewing contracts with SRO operators.

DHS' Response: "Current procedures include review of field visit reports and other monitoring tools prior to renewing contracts with SRO operators. In the example cited, DHS worked closely with the provider, Jericho Project, to help them to resolve building issues. This included discussions between the executive management of DHS and the provider whereby alternative steps were discussed, including possible legal action and involvement of other agencies, which could have led to improving building conditions.

When this became untenable, DHS and Jericho jointly planned the closing of the site and the relocation of the tenants. This is in keeping with our philosophy to work with providers as long as possible to affect corrective action rather than terminate or not renew for poor ratings. This is particularly important for SROs because of the long term service and fiscal impact of not renewing a contract for both the provider and the agency. . ."

20. Instruct the SRO Program Director to ensure that the Recommendation for Award memorandums include complete and accurate information.

DHS' Response: "Recommendation for Award memorandums are prepared by contract managers but will be reviewed for completeness and accuracy by the Director of Contracts. The Program Director will conduct a second review of any contract that received a needs improvement in its prior year performance evaluation or required a corrective action in the current year to ensure that complete information pertaining to the contractor's performance is included. Completion by submission of FY'01 contract renewals."