

Hon. Elaine Phillips
Nassau County Comptroller



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MEMORANDUM OF THE
OFFICE OF THE NASSAU COUNTY COMPTROLLER
240 Old Country Road
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To: Jose Lopez, Acting Commissioner Department of Social Services
Cc: Arthur Walsh, Chief Deputy County Executive

From: Jeffrey Schoen, Deputy Comptroller

Date: August 7, 2024

Re: **Review of Nassau County's Payments to Hotels & Motels for Emergency Shelter**

The Office of the Nassau County Comptroller has concluded its review of Nassau County's payments to hotels/motels for emergency shelter. The following describes our analysis, findings and recommendations.

Our data analysis, such as the number of emergency shelter cases, the number of clients served, the number of emergency shelter nights of stay provided, the number of beds/rooms available, utilization of hotels/motels and overall costs (including amounts reimbursed from New York State Office of Temporary and Disability Assistance - OTDA), covered years 2019 through 2023. Audit testing of payments from the Department of Social Services (DSS) to hotels/motels covered the period of January 1, 2021 through June 30, 2023.

Auditors reviewed, documented and created detailed process flow diagrams for all of the various DSS functions being managed at the windows and offices on the first floor of the DSS building, which have been provided to you.

Data Analysis – Increased Demand for Emergency Shelter and Increased Use of Hotel/Motel Placements

Our analysis shows that from 2019 - 2023 there was an increase in the demand for emergency shelter; the number of cases and individuals served returned to pre-pandemic levels and the actual nights of stay provided increased by 22%.

To analyze the demand for DSS emergency shelter, auditors reviewed the number of DSS emergency shelter cases¹. Cases are divided into two categories: single adults and families. Accounting for all individuals (an adult, adults and/or children) that are part of each case, auditors reviewed the total number of individuals being served for all cases. Finally, this analysis translated into the number of nights of emergency shelter stays provided (see charts on the next page).

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Emergency Shelter Cases				Emergency Shelter Individuals Served				Emergency Shelter Nights of Stay	
Year	Number of Cases By Type		Total	Year	Number of Individuals		Total	Year	Number of Nights of Stay Provided
	Single Adults	Families			All Adults	Children			
2019	1,577	659	2,236	2019	2,424	1,420	3,844	2019	255,366
2020	1,460	464	1,924	2020	2,065	1,015	3,080	2020	265,417
2021	1,271	296	1,567	2021	1,647	660	2,307	2021	234,766
2022	1,467	390	1,857	2022	1,967	813	2,780	2022	265,053
2023	1,682	463	2,145	2023	2,280	1,017	3,297	2023	312,711

Further analysis demonstrated that from 2019 to 2023, the utilization of hotels/motels relative to contracted emergency shelters increased significantly².

To examine this utilization auditors reviewed: (1) rooms and beds availability and the placement of individuals by case at both contracted emergency shelters and hotels/motels, as of a given day each year, and (2) the number of hotels/motels used and the number of cases that had hotel/motel placements, each year (see charts below).

ANALYSIS OF UTILIZATION OF CONTRACTED EMERGENCY SHELTERS AND HOTELS/MOTELS BY CASE								
Year	As of the Same Day Each Year				Yearly			
	Available Rooms/Beds at Contracted Emergency Shelters		Utilization of Contracted Emergency Shelters and Hotels/Motels By Case		Hotels/Motels Used For Emergency Shelter	Utilization of Hotels/Motels By Case		
	Rooms For Families	Beds For Single Adults	Percent of Placement in Contracted Emergency Shelters	Percent of Placement in Hotels/Motels	Number of Hotels/Motels Used	Cases With Hotel/Motel Placements	All Cases	Percent of Cases With Hotel/Motel Placements
2019	167	344	68%	32%	Could Not Be Determined from DSS Records	824	2,236	37%
2020	167	311	56%	44%	Could Not Be Determined from DSS Records	793	1,924	41%
2021	143	310	65%	35%	16	593	1,567	38%
2022	129	279	57%	43%	20	826	1,857	44%
2023	124	279	45%	55%	26	1,145	2,145	53%

This high demand, decrease in available rooms/beds at contracted shelters and increased use of hotels/motels, corresponded with a significant increase in the overall net cost to the County for emergency shelter placements³ and in particular in the net cost for hotels/motels placements.

The net costs (see chart below) were derived from a review of payments for shelter placements and State reimbursements (see chart on next page which shows payments and reimbursements).

Net Cost to County			
Year	Net Cost for All Emergency Shelter	Net Cost for Contracted Emergency Shelters	Net Cost for Hotels/Motels
2019	\$13,814,922	\$7,565,934	\$6,248,988
2020	\$14,121,353	\$6,216,842	\$7,904,511
2021	\$16,435,091	\$9,337,845	\$7,097,246
2022	\$18,988,085	\$8,930,931	\$10,057,154
2023	\$27,886,169	\$9,653,299	\$18,232,870
Percent Increase 2019 vs 2023	102%	28%	192%

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Payments and Reimbursements									
Year	All Shelter (Including Contracted Shelters and Hotels/Motels)			Contracted Emergency Shelters			Hotels/Motels		
	Payments	Amount Reimbursed	Percent Reimbursed	Payments	Amount Reimbursed	Percent Reimbursed	Payments	Amount Reimbursed	Percent Reimbursed
2019	\$27,716,487	\$13,901,565	50%	\$16,237,955	\$8,672,021	53%	\$11,478,532	\$5,229,544	46%
2020	\$25,974,535	\$11,853,182	46%	\$12,938,581	\$6,721,739	52%	\$13,035,954	\$5,131,443	39%
2021	\$28,509,986	\$12,074,895	42%	\$17,159,756	\$7,821,911	46%	\$11,350,230	\$4,252,984	37%
2022	\$34,686,048	\$15,697,963	45%	\$18,081,807	\$9,150,876	51%	\$16,604,241	\$6,547,087	39%
2023	\$52,068,201	\$24,182,032	46%	\$20,700,523	\$11,047,224	53%	\$31,367,678	\$13,134,808	42%

Our analysis also showed that the majority of hotel/motel payments were on a prepayment basis.

Unlike contracted emergency shelters which are paid after a client’s stay and a claim for payment is made with proof of the client’s attendance to the County, prepayments to hotels/motels are made in advance of clients’ stays. These prepayments can be made: (1) directly by check from the County to the hotels/motels or (2) by clients who are provided with a benefits card to withdraw cash from a bank which is utilized to pay the hotels/motels⁴. The chart below shows payments and the method of payments to hotels/motels.

Payments and Method of Payments to Hotels/Motels					
Year	All Payments to Hotels/Motels	Prepayments to Hotels/Motels (including Cash-On-Card)	Percent of Prepayments to Hotels/Motels (including Cash-On-Card)	After Client Stay Claim Basis Payments to Hotels/Motels	Percentage of After Client Stay Claim Basis Payments to Hotels/Motels
2019	\$11,478,532	\$9,747,907	85%	\$1,730,625	15%
2020	\$13,035,954	\$11,283,108	87%	\$1,752,846	13%
2021	\$11,350,230	\$9,589,539	84%	\$1,760,691	16%
2022	\$16,604,241	\$14,803,794	89%	\$1,800,447	11%
2023	\$31,367,678	\$29,620,158	94%	\$1,747,520	6%

To further examine costs of hotel/motel placements relative to the individuals assisted, auditors analyzed cost per case, which varied depending on the number of adults and children in each case.

In 2023, the average cost per case for hotel/motel placements was \$30,375, with 23% (or 263 of 1145 cases) costing \$50,000 or more, 19 cases costing \$100,000 or more, and 5 cases costing over \$150,000 (see chart to right).

2023 TOP 5 EMERGENCY HOUSING CASES BY COST				
Case	Individuals in Case			Cost
	Adult	Child	Total	
A	2	3	5	\$212,082
B	2	6	8	\$167,073
C	1	4	5	\$161,817
D	1	4	5	\$161,073
E	2	5	7	\$153,650

While tens of millions of dollars each year is being spent on hotels/motels the County does not enter into contractual agreements with hotels/motels as it does with emergency shelters.

The lack of a contractual relationship with hotels/motels means the County cannot:

- Regulate these shelter providers and the services they provide,
- Establish approved rates, or
- Pay these shelter providers on a reimbursement basis after proof of the services provided.

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Audit Testing - Payments to Hotels/Motels

Audit testing of DSS payments to hotels/motels made during the period of January 1, 2021 through June 30, 2023, found the following:

- (1) DSS made a small number of overpayments to hotels/motels,
- (2) Client payments to DSS for their share of emergency shelter costs were mishandled⁵, and
- (3) A credit system implemented for hotels/motels payments by-passed standard controls, deviated from recordkeeping procedures, and compromised client confidentiality.

(1) From January 2022 through June 2023, overpayments totaling \$32,379 were made to hotels/motels due to lack of controls.

DSS utilized several hotels/motels within Nassau County to house clients. Each hotel/motel charged a different rate which fluctuated based on the day of the week, time of year or vacancy of the facility. Four hotels/motels were paid after a claim for payment was made and supported by proof of client stays. Most hotels/motels were paid on a prepayment basis wherein DSS made a payment by check in advance of clients' stays.

Auditors observed that the process for writing, tracking, distributing, and recording direct prepayments to hotels/motels was manual, utilizing a checkbook and paper checks, which is subject to mistake and errors.

Upon inspection of DSS check logs and comments in DSS systems, auditors found 43 overpayments totaling \$32,379 to various hotels/motels from January 24, 2022 through June 30, 2023.*

- For the full year of 2022: 14 duplicate or overlapping payments were made, totaling \$13,214 in overpayments to 7 hotels/motels.
- In the first half of 2023: 29 overlapping or duplicate payments resulted in a total of \$19,165 in overpayments to 10 hotels/motels.

*It was not possible for auditors to identify overpayments for 2021 because the check log kept by DSS did not include the necessary information to conduct such an analysis.

These overpayments were made due to one of three conditions:

- A check was written for an authorized period of stay and the next check written for the same client covered some of the same authorized days of stay in the same hotel.
- Payments made to different hotels for the same client for the same dates.
- A client left a hotel/motel prior to the end of the authorized period of stay and the hotel/motel failed to refund DSS for the unused days that were paid for in advance.

DSS has informed auditors that in March of 2024, each hotel that received overpayments was sent a letter demanding refunds of payments made in error.

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(2) Between January 2021 and June 2023, 247 client share payments were made directly to hotels/motels and were not recorded as DSS cash receipts, costing the County \$3,514.

These client share payments⁵ should be made to DSS by money order or check. In order to track these payments for each client's account they should be recorded by DSS in three places:

- General Client Inquiry (GCI) comments,
- The Shelter Placement Online Tracking (SPOT) system, and
- The DSS cash receipts system, which feeds client share payment information into the Benefits Issuance Control System (BICS), creating the clients' official financial record. The BICS system is the basis of the State's reimbursement to the County.

There were 9720 share payments made during the period (January 2021 and June 2023) of which 775 were tested by auditors. 247 of 775 client share payments tested were not properly recorded by DSS. Although the dollar amount was small, the lack of recording these 247 client share payments resulted in client payments being incorrectly reported in the BICS system, which undermined the accuracy of the required client specific accounting.

(3) Implementation of a credit system by DSS to reallocate unused payments made to direct prepayment hotels/motels circumvented DSS controls, undermined client-specific recordkeeping and compromised client confidentiality.

Once a client's placement at a direct pay hotel/motel has been authorized, a check for the approved stay is issued by DSS and sent to the hotel/motel. Under DSS standard procedures, if the client leaves the hotel/motel prior to the end of the period for which they have been authorized, the hotel/motel is supposed to issue a refund check to the County. Similarly, if a client placed at a hotel/motel fails to report to the facility, the hotel/motel is required to return the original check issued for that client's stay back to DSS.

In 2020, DSS's Director of Emergency Housing instituted a credit-based system which deviated from these DSS standard procedures for one hotel/motel. Auditors were told that this credit system was put in place due to COVID isolation restrictions. Instead of this hotel/motel sending refunds to the County if clients left before their pre-paid stay ended or they did not show for their stay, the balances left on clients' payments were applied as a credit toward another DSS client.

For purposes of receiving reimbursement from NYS OTDA, the County is required to monitor and detail payment transactions in the case record of each client. The credit process undermined the accuracy of this client-specific accounting, because the credit system did not apply refunds to the client who did not stay either in the County's internal cash receipt system or in the NYS OTDA system.

Although refunds were not applied, credits were well tracked on an Excel spreadsheet maintained by the Director of Emergency Housing and for each client from which a credit was used, a memo was entered in the General Client Inquiry (CGI) screen of the client's record, along with a notation of the name and case number of the client to whom the credit was applied. However, by including comments in the GCI about other clients to whom the credit was applied DSS violated client confidentiality. Clients can request to view their own records, therefore these DSS files should not contain information about other clients.

Director of Emergency Housing indicated to auditors that the credit system would be phased out.

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Recommendations

The Department of Social Services and Office of Housing should work together to:

- 1. Establish contractual agreements with hotels/motels used for emergency housing.**
 - Create contracts with the hotels/motels similar to those used with homeless shelters, which will enable the County to regulate the hotels/motels' services to clients, establish acceptable rates and pay them on a reimbursement basis after proof of services are provided.
- 2. Prevent overlapping and duplicate payments to hotels/motels utilized for emergency housing by:**
 - Improving controls and tracking of payments and increasing the number of hotels/motels that are paid on a reimbursement basis, with a goal of paying most hotels/motels on a reimbursement basis.
- 3. Adopt procedures for the handling of client share payments that will reduce or eliminate loss of payments to the County.**
 - Create and maintain chain of custody logs for all client share payments. The person or department that physically receives the share payment from the client should be required to document the receipt of the payment in the log and logging should continue until the payment reaches the DSS's accounting personnel for deposit.
 - Require all client share payments to be made directly to DSS by money order or check made payable to DSS.
- 4. End the credit system implemented by DSS to reallocate unused hotel payments.**
 - Require all hotels/motels to follow the procedure of issuing checks to the County for any refunds due to early client departures or no shows for placement, so that clients' benefits are accurately recorded.

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Endnotes

1. A case is established after an application for emergency shelter assistance is filed at DSS, and application is evaluated by staff in DSS's Temporary Assistance (TA) unit. If the applicant is approved for services, the applicant is referred to the Nassau County Office of Housing (Housing), which arranges for temporary shelter.
2. Typically, approved recipients (clients) are placed in homeless shelters who have contracts with the County. When space is not available at a contracted shelter, clients may be placed in a hotel/motel. Hotel/motel placements may also be used when: (1) the client or a family member requires a medical accommodation, or (2) the client or a family member requires access to school and/or employment which cannot be met by a contracted shelter location.
3. Regardless of where placed, once shelter is arranged DSS is responsible for payment on behalf of the client. The County is then reimbursed (fully or partially, depending on the program) by the New York State Office of Temporary and Disability Assistance (OTDA).
4. • **Reimbursement Basis** – This is the same process used to reimburse Emergency Shelters under contract with the County. Hotels/motels are paid on a reimbursement basis when claim for payment is generated after the client stay.
 - DSS uses the Shelter Placement Online Tracking (SPOT) system to identify available rooms and place families or individuals in a hotel/motel.
 - The placement is approved by Housing and a voucher indicating the placement information is sent to the hotel/motel.
 - Attendance of the client at the hotel/motel is recorded on a sign-in sheet which is submitted to DSS to verify the client's stay.
 - After attendance is verified, DSS staff enter the information into the NYS OTDA system to track reimbursement to the County and a claim for payment to the hotel/motel is generated. Upon approval of the claim, the Nassau County Treasurer's Office prepares a check for the hotel/motel.
- **Direct Prepayment Basis** –Hotels/motels are paid in advance, prior to the client's stay.
 - A paper check to the hotel/motel is written and recorded by DSS staff, drawn from a revolving fund set up for this purpose.
 - Clients are not placed through the SPOT system, but the placement is recorded in the SPOT system and the NYS OTDA system for County reimbursement tracking.
 - Sign-in sheets for clients are not required.
- **Client Cash on Card** – Clients are provided with a benefit card to be used at any bank to withdraw cash. The cash is utilized to pay a hotel/motel of their choice for shelter. The client must submit to DSS proof of payment in order to reconcile and prove the use of the funds at a hotel/motel. If a client does not reconcile past payments, they could be denied additional cash on card funds.
5. In some instances, contingent to clients' financial means, clients are required to pay the County a share of their emergency shelter cost.