

# OFFICE OF THE NASSAU COUNTY COMPTROLLER



**Limited Review of  
A Nassau County Emergency  
Shelter Provider  
*2017-2018***

**December 11, 2019**

**JACK SCHNIRMAN  
COMPTROLLER**

# OFFICE OF THE NASSAU COUNTY COMPTROLLER

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OFFICE OF THE NASSAU COUNTY COMPTROLLER  
LIMITED REVIEW OF A NASSAU COUNTY EMERGENCY SHELTER PROVIDER  
COMPLIANCE WITH THE NASSAU LIVING WAGE LAW &  
RELATED MEMORANDUM OF UNDERSTANDING 2017 & 2018

REPORT SUMMARY

WHY WE DID THIS REPORT

This review was initiated as a result of calls received through the Comptroller's Living Wage hotline from a former employee who stated they were not receiving the Living Wage while working for a contractor which provides emergency housing services to Nassau County. The Living Wage Hotline, 516-571-WAGE, connects callers directly to staff in the Comptroller's Office. It is an important resource for those who have information regarding violations to the Living Wage Law, which requires payment of a living wage, and provision of health benefits or a health benefit supplement to certain employees. This review also examined provisions of the contractor's Memorandum of Understanding with Nassau County Department of Social Services. The Office of the Nassau County Comptroller is committed to undertaking living wage audits that get results.

WHAT WE FOUND

**The Comptroller's Office uncovered the improper diversion of over \$300,000 in County payments to another corporation.**

***This matter has been referred to law enforcement for investigation. The name of the organization has been removed from the audit report.*** Major findings are as follows:

- \$387,425 in checks made payable to the contractor by the Nassau County Department of Social Services were diverted to another corporation's bank account and used for business and personal expenditures. Our review revealed the following diverted expenditures which were not consistent with the practice of running a homeless shelter, including:
  - Purchase of airline tickets, casino hotel accommodations, retail outlet shopping, liquor store purchases, restaurant purchases, food delivery service charges and on-line streaming charges;
  - \$10,000 was transferred between the bank account and another emergency shelter provider, \$2,400 was paid for utility bills for another emergency shelter;
  - Over \$8,100 was used to pay mobile phone bills, retail credit card payments and utility bills for relatives of the shelter operator, and over \$8,800 was paid to the personal bank account of the contractor's Chief Executive Officer; and
  - \$4,000 in payments were made to supermarkets, drugstores and convenience stores which may not have been related to shelter expenses.
- The contractor violated the terms of the Nassau County Living Wage Law and their Memorandum of Understanding (MOU) with the County by not maintaining and retaining accurate payroll records as required, and not producing supporting documentation to verify that adequate staffing levels were maintained. Compliance with the Living Wage Law could not be verified as the contractor did not have payroll records or keep records of compensated time off.
- Employees were paid in cash and the contractor did not withhold payroll taxes, violating Federal Law.

WHAT WE RECOMMEND

- Law enforcement should review the findings and documentation associated with this audit to determine if any criminal offenses have been committed.
- Nassau Department of Social Services should terminate the Memorandum of Understanding with this provider.
- The contractor should identify and pay former employees any amounts owed for accrued compensated time off and provide proof of payment to the Comptroller's Office.

WHAT ACTIONS HAVE BEEN TAKEN?

- Law enforcement is reviewing the information provided by the Comptroller's Office.
- The Nassau Department of Social Services stopped placing clients in the Shelter.

WHY IS THIS REPORT IMPORTANT?

We must continue to demand accountability from employers to assure that Living Wage requirements are strictly enforced. Living wage audits such as this provide an important check on employers and provide real results, including exposing potentially illegal activities. In addition, all emergency shelter providers should be in compliance with their MOU with Nassau County and maintain complete and accurate records.

## Executive Summary

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### Purpose

The purpose of this review was to determine whether an Emergency Shelter Provider was in compliance with both the Nassau County Living Wage Law and the related Memorandum of Understanding.

The Living Wage Law requires that employees of the Emergency Shelter Provider who perform work under the County contract be paid the applicable wage rate and are provided with the Law's required compensated time off.

### Introduction:

The Nassau County Living Wage Law ("Law") ensures that employees of certain companies that receive County funds are earning a living wage and are receiving health benefits or a health benefit supplement. Additionally, the law provides that full-time employees receive 12 paid days off a year, and part-time employees who work at least 20 hours per week, receive a proportionate share of compensated days off.<sup>1</sup>

The Summary of Findings and Recommendations as a result of this audit can be found on the next page.

### Please Note

**This review revealed matters that have been referred to law enforcement for investigation. The name of the emergency shelter provider audited has been removed.**

**This audit does not contain a response from the provider to our recommendations, as the location has been closed. The Nassau County Department of Social Services and Nassau County Department of Housing have ceased referring clients to this emergency shelter location.**

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<sup>1</sup> Miscellaneous Laws of Nassau County, Title 57- Nassau County Living Wage Law.

## Executive Summary

Summary of Audit Findings and Recommendations		
#	Audit Finding	Audit Recommendation(s)
1	<b>An Emergency Shelter Executive Diverted Funds to Another Corporation for Personal Use and to Start A New Shelter</b>	<p>We recommend:</p> <p>a) the matters identified in this finding be investigated by law enforcement; and*</p> <p>b) the Department of Social Services determine whether the County should continue to do business with the CEO and the Emergency Shelter Provider or terminate the Memorandum of Understanding. In addition, the County should verify the CEO's new shelter is in compliance with their MOU with the County.</p> <p>* The matters covered in this report have been referred to law enforcement for further investigation.</p>
2	<b>The Emergency Shelter Provider Violated the Living Wage Law and the Terms of their Memorandum of Understanding with the County</b>	<p>We recommend the Nassau County Department of Social Services terminate the Memorandum of Understanding with the Emergency Shelter Provider.</p>
3	<b>The Emergency Shelter Provider Did Not Maintain Accrued Compensated Time Off Records as Required by the Living Wage Law</b>	<p>We recommend the Emergency Shelter Provider:</p> <p>a) identify and pay their former employees amounts owed for accrued compensated time; and provide proof of payment to the Nassau County Comptroller's Office; and</p> <p>b) maintain proper records for employee's compensated time off accruals, usage and payments in accordance with the terms of the Living Wage Law and the MOU with the County.</p>
4	<b>The Emergency Shelter Provider Failed to Produce Supporting Documentation Evidencing the Shelter Was Adequately Staffed</b>	<p>We recommend, should the Emergency Shelter Provider reopen:</p> <p>a) they maintain adequate staffing at the Shelter in accordance with the terms of their MOU; and</p> <p>b) they pay employees in accordance with the Living Wage rate of pay.</p>
5	<b>The Emergency Shelter Provider Violated Federal Law By Paying Their Employees Cash Without Withholding Payroll Taxes</b>	<p>We recommend:</p> <p>a) law enforcement investigate this matter and refer its findings to the Internal Revenue Service; and*</p> <p>b) should the Emergency Shelter Provider reopen, cease paying their employees in cash and obtain the services of a qualified payroll company to manage the payroll and collection of taxes.</p> <p>* The matters covered in this report have been referred to law enforcement for further investigation.</p>
6	<b>Questionable Practices of Individuals Associated with the Emergency Shelter Provider Were Detected</b>	<p>We recommend these matters be referred to law enforcement for further investigation.*</p> <p>* The matters discussed in this report have been referred to law enforcement for further investigation.</p>

## Executive Summary

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The matters covered in this report have been referred to law enforcement for further investigation.

On September 4, 2019, the Comptroller's Office was advised that no clients were at this facility as of June 25, 2019. According to DSS, the facility operator lost the lease to the house and the four families who were being housed at the Emergency Shelter were subsequently relocated to other emergency shelters.

It is our understanding that the Memorandum of Understanding with the Emergency Shelter Provider is still in effect, however, the County is not currently operating an emergency shelter at this location.

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## Introduction

### **Background**

The Nassau County Living Wage Law ensures that employees of certain companies that have a contract with the County are earning a living wage and are receiving health benefits or a health benefit supplement. Additionally, the law provides that full-time employees receive at least 12 paid days off per year, and part-time employees working at least 20 hours per week, receive proportionate compensated days off.<sup>2</sup>

The Living Wage Rates applicable to the period under review are shown in Exhibit I below:

### **Exhibit I**

<b>Nassau County Living Wage Law Rates</b>				
<b>Effective Dates</b>		<b>Hourly Rates</b>		
<b>From</b>	<b>To</b>	<b>With Health Benefits</b>	<b>Health Benefit Supplement</b>	<b>Without Benefits</b>
August 1, 2016	July 31, 2017	\$13.73	\$2.05	\$15.78
August 1, 2017	July 31, 2018	\$13.98	\$2.09	\$16.07
August 1, 2018	July 31, 2019	\$14.27	\$2.14	\$16.41

Nassau County acting on behalf of the Nassau County Office of Housing and Community Development (“OHCD”) and the Department of Social Services (“DSS”) entered into a Memorandum of Understanding (“MOU”) with the Emergency Shelter Provider, on April 1, 2016, to provide emergency shelter facilities to homeless mothers and families in accordance with New York State Regulations<sup>3</sup>. The current MOU is effective May 1, 2017 through April 30, 2022. For the years 2016 and 2017, reimbursements for emergency shelter services from DSS to the Emergency Shelter Provider, were \$167,730 and \$234,965 respectively. The Emergency Shelter Provider is a for-profit entity.

This audit was initiated as a result of calls received through the Comptroller’s Living Wage hotline from a former employee who stated they were not receiving the Living Wage. An employee called the Living Wage hotline (516-571-WAGE) and claimed to be paid in cash and when they asked to be “put on the books”, the employee was terminated.

It should be noted that the day before the audit entrance conference<sup>4</sup>, the Comptroller’s Office received a call requesting a postponement and was informed by the owner of the Emergency Shelter Provider, that the Chief Executive Officer of the Emergency Shelter Provider had submitted her resignation. The Comptroller’s Office declined to reschedule the entrance conference and held it with the owner of the Emergency Shelter Provider. During the entrance

<sup>2</sup> Miscellaneous Laws of Nassau County – Title 57- Nassau County Living Wage Law

<sup>3</sup> New York State regulations 18 NYCRR 491 et. seq and 18 NYCRR 900 et seq.

<sup>4</sup> An entrance conference is a first meeting between the audit team and the auditee to articulate the audit objectives.

## Introduction

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conference, Auditors were informed by the owner that communication had broken down between the owner and the Chief Executive Officer of the Emergency Shelter Provider.

### **Audit Scope and Methodology**

The objective of this review was to determine whether the Emergency Shelter Provider was in compliance with the Nassau County Living Wage Law and related Rules and with the County's Memorandum of Understanding. The review period was January 1, 2017 through December 31, 2018.

Due to a lack of cooperation from the Chief Executive Officer and Owner of the Emergency Shelter Provider, and a lack of documents, we were unable to perform a comprehensive review of the payroll records and accrued compensated time calculations for the audit period. Information was obtained by interviewing key personnel responsible for the Shelter's operations under oath. Bank records were also obtained to assist in the review.

To achieve the original audit objectives, we planned to perform the following review procedures:

- Compare the payroll rate of pay with the applicable Living Wage rate for 2017 and 2018\*;
- Calculate the compensated leave accrued based on 20 or more hours worked in a 40- hour workweek; and
- Test compliance with the County's Memorandum of Understanding.

\*The Auditors were unable to compare the payroll rate with the applicable Living Wage rates for 2018 and test the accrual of compensated leave balances due to a lack of documentation provided by the Emergency Shelter Provider.

We believe our review provides a reasonable basis for the findings and recommendations contained herein.

## Findings and Recommendations

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### **AUDIT FINDING (1)**

#### **(1) An Emergency Shelter Executive Diverted Funds to Another Corporation for Personal Use and to Start A New Shelter**

Our investigation revealed that \$387,425 of a total of \$506,959 in checks made payable to the Emergency Shelter Provider from the Nassau County Department of Social Services (“DSS”) as compensation for providing emergency services, were diverted by being deposited into another corporation’s bank account and used for other emergency shelter’s expenses as well as personal expenditures.

The owner of the Emergency Shelter Provider stated that as of February 2018, he was not receiving any funds from the County for services provided, and his bank balance was negative.

Further investigation by the auditors revealed that the County did in fact remit 37 payments totaling \$506,959 in the form of checks payable to the Emergency Shelter Provider for the period June 2017 through June 2019. During questioning under sworn oath, the CEO of the Emergency Shelter Provider revealed that in addition to the main bank account described by the owner of the Emergency Shelter Provider, another bank account at a different bank also existed. The diverted funds totaling \$387,425 were deposited into the newly opened bank account with a different corporation’s name. The husband of the CEO of the Emergency Shelter Provider, who is not an employee or officer of the Emergency Shelter Provider, opened this bank account.

A review of bank statements obtained by the Auditors revealed that beginning in February 2018, all County payments to the Emergency Shelter Provider were deposited into this account. The payments which totaled \$387,425, were payable to the Emergency Shelter Provider but were endorsed by another corporation with a similar name. Money was used for personal expenditures, and to pay utility bills of another corporation.

Auditors identified the following issues with the use of the \$387,425 deposited into the new bank account:

- **Over \$258,900 of cash withdrawals were made either through an ATM machine or a bank teller.**
- **Based on interviews with the Emergency Shelter Provider CEO, cash payments were made to employees beginning February 2018.** The CEO stated the owner was dropping off envelopes with cash bi-weekly to the Emergency Shelter Provider’s location to pay the employees. The last payroll register provided to the Auditors ends with the January 21, 2018 payroll. The Shelter was still operational and submitting claims to DSS through June 2019. Some of the cash withdrawals may have been used to pay employees.
- **Over \$7,500 was used to make purchases that are not consistent with the practice of running a homeless shelter. These expenses consisted of** airline tickets, casino hotel accommodations both on Long Island and in Connecticut, retail outlet shopping, liquor store purchases, restaurant purchases, food delivery service charges and on-line streaming charges.

## Findings and Recommendations

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- **\$10,000 was transferred between the Emergency Shelter Provider's bank account and another emergency shelter<sup>5</sup> that was opened by a former independent contractor of the Emergency Shelter Provider.**
- **\$2,400 was paid for utility bills for another emergency shelter that was opened by the CEO of the Emergency Shelter Provider. <sup>6</sup>**
- **The CEO diverted over \$8,100 to cover the cost of two relatives mobile phone bills, retail credit card payments and utility bills.**
- **Miscellaneous charges totaling \$320 for NYS Department of Motor Vehicle fees relating to a personal vehicle were made, as well as 14 ride -share charges and a \$40 payment for a gasoline charge.**
- **Over \$1,700 for online legal information expenses at the same time two other homeless shelters that the CEO may be connected to were being established.**
- Two separate cable TV providers were paid a total of \$2,918 for the same period of time. the Emergency Shelter Provider only has one location.
- Over \$8,800 was used to make payments to the CEO's personal bank account. Since there were no payroll records available for review, it is unclear if these payments could be related to salary.
- Over \$4,000 in payments were made for charges from supermarkets, drugstores and convenience stores which may not be related to shelter expenses.
- A total of \$5,200 in wire transfers were made to one of the employees of the Emergency Shelter Provider, possibly as pay.

### **Audit Recommendations:**

We recommend:

- a) the matters identified in this finding above be investigated by law enforcement; and
- b) the Department of Social Services determine whether the County should continue to do business with the CEO and the Emergency Shelter Provider or terminate the Memorandum of Understanding. In addition, the County should verify the CEO's new shelter is in compliance with their MOU with the County.

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<sup>5</sup> A non-profit emergency shelter which opened in December 2018.

<sup>6</sup> Another emergency shelter which was opened on March 4, 2019.

## Findings and Recommendations

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### AUDIT FINDING (2)

#### (2) The Emergency Shelter Provider Violated the Living Wage Law and the Terms of their Memorandum of Understanding with the County

Under the terms of Living Wage Law and their agreement with Nassau County, the Emergency Shelter Provider is required to maintain and retain accurate payroll records for a period of six years. **Payroll records provided by the Emergency Shelter Provider for 2017 were incomplete and payroll records for 2018 did not exist.**

In order to perform our review, Auditors requested several documents at the entrance conference including complete payroll registers for 2017 and 2018. Payroll registers are records containing start and end dates of payroll period, rate of pay per hour, hours worked, and gross and net pay. For 2017, Auditor's noted that payroll registers for at least two pay periods were missing making it impossible to validate hours worked.

As per Section 2 (E) of the MOU, *"The Provider shall have staff available at the shelter site for families and/or individuals twenty-four (24) hours per day, seven (7) days a week."* Auditors were unable to verify if adequate coverage was provided by the Shelter management at all times as there were no work schedules or payroll registers provided for every pay period during the year. See Finding 4 for more information on inadequate staffing.

Additionally, as required by the MOU Section 4 (P) *"The Provider should screen all employees of a family shelter using the New York State Division of Criminal Justice Services Sex Offender Registry and agrees not to hire any person listed on the Sex Offender Registry"*. When the Auditors **requested personnel files to validate that all employees and volunteers were screened, they were told there are no personnel files.** Management stated some employees were fingerprinted at the time of their hiring but there was no evidence of this. Since this is a shelter that houses homeless mothers and families, and no evidence of screening was provided, **there is no assurance that all employees were properly screened, and homeless individuals were not at risk from employees who are sexual offenders.**

**All employees hired after November 6, 1986 must complete a Form I-9, Employment Eligibility Verification, at the time they are hired.** Form I-9 is used for verifying the identity and employment authorization of individuals hired for employment in the United States. Both employees and employers must complete the form. The employee is required to present to their employer acceptable documents evidencing identity and employment authorization. Employers must retain Form I-9 for a designated period of time and make it available for inspection by authorized government officers. **Since there were no personnel files, Form I-9 was not maintained for any of the employees worked at the Emergency Shelter Provider. There is no assurance that undocumented employees were not being employed by the Emergency Provider.**

#### Audit Recommendations:

We recommend the Nassau County Department of Social Services terminate the Memorandum of Understanding with the Emergency Shelter Provider.

## Findings and Recommendations

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### **AUDIT FINDING (3)**

#### **(3) The Emergency Shelter Provider Did Not Maintain Accrued Compensated Time Off Records as Required by the Living Wage Law**

The Nassau County Living Wage Law states that each full-time employee is entitled to 12 paid days off per year, while part-time employees working at least 20 hours per week receive proportionate compensated days off.

The Chief Executive Officer of the Emergency Shelter Provider informed the Auditors that workers were given compensated time off from work, but no tracking records were maintained. As per Section 18(a) of the MOU, *“The Provider shall maintain and retain, for a period of six (6) years following the later of termination of or final payment under this Agreement, complete and accurate records, documents, accounts and other evidence, whether maintained electronically or manually (“Records”), pertinent to performance under this agreement.”*

At a meeting at the Comptroller’s office under sworn oath, the Chief Executive Officer of the Emergency Shelter Provider stated that whenever an employee wanted to take a day off or a week vacation, they were permitted to do so and were paid for it.

Auditors requested the accrued compensated leave time records from the Emergency Shelter Provider and were told by the Chief Executive Officer that time off was recorded on a calendar. However, the Chief Executive Officer did not maintain copies of this calendar and Auditors were unable to verify which employees accrued, used or received pay for time off.

**Based on analysis of the 2017 Payroll register and the one payroll register provided for 2018, we noted that all pay was described as regular pay not vacation, sick or holiday pay. There was no evidence of any leave time being accrued or used.**

#### **Audit Recommendation(s):**

We recommend the Emergency Shelter Provider:

- a) identify and pay their former employees amounts owed for accrued compensated time and provide proof of payment to the Nassau County Comptroller’s Office; and
- b) maintain proper records for employee’s compensated time off accruals, usage and payments in accordance with the Living Wage Law and the terms of their MOU with the County.

## Findings and Recommendations

### **AUDIT FINDING (4)**

#### **(4) The Emergency Shelter Provider Failed to Produce Supporting Documentation Evidencing the Shelter Was Adequately Staffed**

The Emergency Shelter Provider violated the terms of its Memorandum of Understanding with the County by failing to provide supporting documentation to evidence adequate staffing levels existed for its clients.

As per Section 2 (e) of the Memorandum of Understanding signed between the Emergency Shelter Provider and the County, the Shelter is required to have staff at the house 24 hours per day, 7 days a week. A review of IRS Form W-2s indicated that three employees were paid a total of \$25,248 for 2017. Additionally, the CEO of the Emergency Shelter Provider received Form 1099-MISC for \$34,580 representing compensation she received for 2017. Based on the Living Wage Rate in effect for that period, the minimum amount of wages that should have been paid for 2017 was \$93,851.

Exhibit II below summarizes the minimum amount of wages that should have been paid to employees to satisfy the 24 hour a day coverage rules.

#### **Exhibit II**

##### **The Emergency Shelter Provider**

<b>Calculations for the Cost of One Person for 24 hours at the Living Wage Rate</b>					
<b>Time Period</b>	<b>Number of Days</b>	<b>Hours</b>	<b>Living Wage Rate</b>	<b>Cost for 1 Full Day</b>	<b>Total Amount for Time Period</b>
05/01/17 - 07/31/17	92	24	\$15.78	\$378.72	\$34,842
08/01/17 - 12/31/17	153	24	\$16.07	\$385.68	\$59,009
<b>Total 2017</b>					<b>\$93,851</b>

  

<b>2017 Actual Payroll and 1099-MISC Income</b>			
<b>Time Period</b>	<b>Description</b>		<b>Total Amount for Time Period</b>
05/01/17 - 12/31/17	Payroll Register Details		\$16,640
	1099-MISC Income		\$34,580
<b>Total 2017</b>			<b>\$51,220</b>
<b>Variance - Amount that the shelter was potentially understaffed</b>			<b>(\$42,631)</b>

*The Emergency Shelter Provider's contract with Nassau County runs from 5/1/17 - 4/30/22*

*Sources: Nassau County Living Wage Rates and The Emergency Shelter Provider's Payroll Registers and Form 1099-MISC.*

## Findings and Recommendations

Total wages for 2017 based on one employee working 24 hours per day should equal \$93,851. Based on Auditor calculations, the Emergency Shelter Provider either underpaid employees a minimum of \$42,071 or did not provide adequate staffing. Auditors calculated the 2018 cost for at least one employee to work 24/7 at Living Wage Rate to be \$142,021.68. However, due to a lack of supporting payroll documentation, Auditors were unable to perform a similar minimum to actual wages comparison for 2018.

The Auditors were also unable to determine if the Living Wage Rate was paid to the employees due to a lack of documentation.

### Audit Recommendation(s):

We recommend, should the Emergency Shelter Provider reopen:

- a) they maintain adequate staffing at the Shelter in accordance with the terms of their MOU; and
- b) they pay employees in accordance with the Living Wage rate of pay.

## AUDIT FINDING (5)

### (5) The Emergency Shelter Provider Violated Federal Law By Paying Their Employees Cash Without Withholding Payroll Taxes

During the audit it was disclosed that the Emergency Shelter Provider was paying their employees with envelopes of cash and not withholding payroll taxes.

The Internal Revenue Service (“IRS”) requires that employers report all wages, tips and other compensation including those paid in cash, to an employee, by filing the required forms with the IRS. Employment taxes such as federal income tax, social security and Medicare taxes are required to be withheld. If workers are paid in cash, employees are still required to pay payroll taxes. The IRS requires that entities provide employees with a Form W-2 for income earned. Form 1099-MISC is provided to independent contractors showing the amount an entity paid for services rendered.

Auditors requested a list of all employees that worked at the Emergency Shelter Provider from 2017-2018. A list was provided with the names of seven employees and the Chief Executive Officer acknowledged under sworn testimony, that all seven employees listed were employed by the Emergency Shelter Provider. Three of the seven employees began employment during 2018. There was no evidence that these individuals received a paycheck or a tax reporting document for work performed in 2018.

Auditors requested the W-2’s and 1099’s issued for 2017 and 2018. A review of W-2 forms provided revealed that **no employees of the Emergency Shelter Provider received a W-2 form to report wages and withholding taxes for 2018.** The Chief Executive Officer of the Emergency

## **Findings and Recommendations**

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Shelter Provider stated in an interview with the Comptroller's Office while under oath, that in 2018 employees were receiving their pay in cash in envelopes. She stated the owner of the Emergency Shelter Provider would drop off the envelopes to the Shelter to be handed to the employees. There is no evidence to dispute this statement, as there were no payroll records from their prior payroll company for any time after January 21, 2018. Additionally, only the Chief Executive Officer received a 1099 indicating she received compensation from the Emergency Shelter Provider.

### **Audit Recommendations:**

We recommend:

- a) law enforcement investigate this matter and refer its findings to the Internal Revenue Service; and
- b) should the Emergency Shelter Provider reopen, cease paying employees in cash and obtain the services of a qualified payroll company to manage the payroll and collection of taxes.

### **AUDIT FINDING (6)**

#### **(6) Questionable Practices of Individuals Associated with the Emergency Shelter Provider Were Detected**

Auditors noted three separate instances where questionable practices concerning individuals associated with Emergency Shelter Provider occurred.

- **The husband of the CEO of the Emergency Shelter Provider opened a bank account for another corporation with a similar name to the Emergency Shelter Provider.**

As discussed in Finding 1, the husband of the CEO of the Emergency Shelter Provider opened a bank account with the name of a new corporation similar to the Emergency Shelter Provider. Funds received from DSS for services provided by the Emergency Shelter Provider were deposited into this account from February 2018 - May 2019. Expenses incurred by the Emergency Shelter Provider and other personal expenses were paid with checks drawn on this account. These checks were signed by the account owner on file, who as noted, is the husband of the Emergency Shelter Provider's CEO.

The CEO stated that her husband is not an employee or independent contractor of the Emergency Shelter Provider but volunteers at the emergency shelter. As a volunteer, his responsibilities include setting up beds, taking out the garbage and purchasing supplies. The organizational chart and employee list provided by the Emergency Shelter Provider does not contain his name in any capacity. This individual did not receive a Form W-2 or Form 1099-MISC for either year covered in our audit. However, a tentative work schedule given to the Auditors for the period March 13, 2019-April 13, 2019 lists him as a volunteer that is covering four work shifts. The MOU with the County, which is still in effect although the shelter location has been closed, lists the CEO's husband as one of the

## Findings and Recommendations

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managers. An individual that is not an employee of the corporation, should not be the person responsible for the bank account.

- **The Emergency Shelter Provider CEO opened two new corporations listing the address of the Emergency Shelter Provider as the address for the two new corporations.**

During an interview with Auditors, the CEO of the Emergency Shelter Provider stated that she recently entered into a MOU with the County to open and operate a new emergency shelter in a different town.

Additionally, in December 2017, the CEO formed another corporation with a similar name. This corporation was also listed with the NYS Division of Corporations with the Emergency Shelter Provider's address. This corporation may have been set up to divert funds that were meant for another emergency shelter provider. As discussed in Finding 1, checks sent out by DSS for claims for emergency shelter services were made payable to the Emergency Shelter Provider; however, they were being endorsed by the corporation with a similar name. and deposited into a different bank account from the one maintained by the owner of the Emergency Shelter Provider.

- **An Emergency Shelter Provider employee was also claimed to be a Shelter resident.**

Auditors performed a review of ten claims submitted by the Emergency Shelter Provider to Nassau County Department of Social Services for the period June 2017 - March 2019. As part of the claim documentation, the Emergency Shelter Provider is required to send the Emergency Housing Sign-In Sheet for the period of service which contains the signature of the client and the daily rate.

During our preliminary testing, Auditors observed one of the clients listed on the Emergency Housing Sign-In sheet was also on the payroll as an employee of the Emergency Shelter Provider. Auditors expanded their testing to include a review of all claim vouchers submitted by the Emergency Shelter Provider for 2017 and 2018.

**This individual received wages of \$4,400 for 2017 according to Form W-2 and the payroll registers provided to the Auditors. For the period of their employment, July 24, 2017 - December 24, 2017, the Emergency Shelter Provider received \$13,902 as compensation for providing this employee emergency housing.** For 2018, auditors only had one payroll register for the period 12/25/17 - 1/21/18 which indicated this individual received wages of \$800. For the same timeframe in 2018, the Emergency Shelter Provider received \$2,352 as compensation for providing emergency housing for this individual.

The Emergency Shelter Provider should not be claiming benefits for an individual who is an employee of the Shelter.

### **Audit Recommendations:**

We recommend these matters be referred to law enforcement for further investigation.

