

AUDIT REPORT



CITY OF NEW YORK
OFFICE OF THE COMPTROLLER
BUREAU OF FINANCIAL AUDIT
WILLIAM C. THOMPSON, JR., COMPTROLLER

Audit Report on the Compliance of Louise Wise Services with Foster and Child Care Payment Regulations July 1, 2000–June 30, 2001

FN03-095A

June 2, 2003



THE CITY OF NEW YORK
OFFICE OF THE COMPTROLLER
1 CENTRE STREET
NEW YORK, N.Y. 10007-2341

WILLIAM C. THOMPSON, JR.
COMPTROLLER

To the Citizens of the City of New York

Ladies and Gentlemen:

In accordance with the Comptroller's responsibilities in Chapter 5, § 93, of the New York City Charter, we have examined Louise Wise Services compliance with New York State standards of payment and City regulations. Louise Wise services is a not-for-profit organization that provides foster care and other social services under agreements with the New York City Administration for Children's Services (ACS).

The results of our audit, which are presented in this report, have been discussed with officials from Louise Wise Services and ACS, and their comments have been considered in preparing this report.

These audits provide a means of ensuring that private concerns conducting business with the City are complying with the terms of their agreements, properly reporting expenditures, and are receiving appropriate payments from the City.

I trust that this report contains information that is of interest to you. If you have any questions concerning this report, please contact my audit bureau at 212-669-3747 or e-mail us at audit@Comptroller.nyc.gov.

Very truly yours,

A handwritten signature in cursive script that reads "William C. Thompson, Jr.".

William C. Thompson, Jr.

Report: FN03-095A
Filed: June 6, 2003

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

**Audit Report on the Compliance of
Louise Wise Services with
Foster and Child Care Payment Regulations
July 1, 2000–June 30, 2001**

FN03-095A

AUDIT REPORT IN BRIEF

Louise Wise Services (Louise Wise) is a not-for-profit organization that provides services to children in its Foster Boarding Home, Mother-Babies Group Residence, and Maternity Program under a contract with the Administration for Children's Services (ACS). Foster care providers are reimbursed for expenses based on a per diem rate. From July 1, 2000, through June 30, 2001 (Fiscal Year 2001), ACS reimbursed Louise Wise \$7 million for providing services to 448 individuals in its programs.

This audit assessed the adequacy of Louise Wise's internal controls over expenses, revenues, and days-of-care; the appropriateness of its per diem rates; and its compliance with State and City payment and reimbursement standards.

Audit Findings and Conclusions

Louise Wise generally complied with promulgated announcements and regulations of the New York State *Standards of Payment* and the City *Foster-Care Reimbursement Bulletin No. 92-5*. It had an adequate system of internal controls over the recording and reporting of its revenue, expenses, and days-of-care.

However, as a result of our audit adjustments, Louise Wise is owed \$128,262, \$20,624 less than it would have received before taking our audit adjustments into account. In addition, Louise Wise included \$17,574 in administrative expenses on its *Report of Actual Expenditures DSS-2652* that should not have been charged to its foster care programs. These audit disallowances did not result in repayment of funds to ACS because our computed operating per diem rates exceeded the maximum per diem rates allowed, even after we deducted the unallowable expenses.

Audit Recommendations

We recommend that Louise Wise: report days-of-care accurately and bill ACS for only those children in attendance at the foster care programs; and include only allowable expenses in its reporting. In addition, we recommend that ACS reimburse Louise Wise \$128,262, rather than

\$148,886 it would have received before audit adjustments for expenditures incurred in excess of advances received, and ensure that Louise Wise complies with the report's recommendations.

ACS, which also responded on behalf of Louise Wise, stated that it will reimburse Louise Wise Services \$128,262 for expenditures incurred in excess of advances and advise its officials, in writing, to comply with the Comptroller's recommendations by including only allowable expenses on its Report of Actual Expenditures DSS-2652, and by reporting its days-of-care accurately and in accordance with New York State and ACS regulations.

INTRODUCTION

Background

The Administration for Children's Services (ACS) administers funds allocated through its annual contracts with voluntary child care agencies and monitors those contracts. Louise Wise Services, at 55 West 125th Street in Manhattan, is a not-for-profit organization that provides services to children in its Foster Boarding Home, Mother-Babies Group Residence, and Maternity Program under its ACS contract. Foster care providers are reimbursed for expenses based on a per diem rate that is calculated according to a formula developed by the New York State Office of Children and Family Services. The per diem administrative rate is limited to the Maximum State Aid Rate (MSAR) established by the New York State Office of Children and Family Services and the New York City Administration for Children's Services. In addition, these reimbursements are governed by the rules and regulations found in the New York State *Standards of Payment*, and the City *Foster-Care Reimbursement Bulletin No. 92-5* and applicable amendments. Contract provisions grant the New York City Comptroller's Office the right to audit and determine allowable contract costs, which are used to determine an adjusted per diem rate.

From July 1, 2000, through June 30, 2001 (Fiscal Year 2001), ACS advanced Louise Wise \$6,773,567 for providing services to 448 individuals in its programs—383 in its Foster Boarding Home, 30 in its Mother-Babies Group Residence, and 35 in its Maternity Program. Louise Wise also received \$173,930 from ACS for its Independent Living Skills Program, an educational program for individuals in its care who are at least 14 years of age, and \$42,000 for its Substance Abuse Prevention Program.

Objectives

Our audit objectives were to determine whether Louise Wise:

- maintained adequate internal controls over the recording and reporting of its expenses, revenues, and days-of-care;
- was paid based on the appropriate per diem rate in accordance with the New York State *Standards of Payment*, ACS regulations, and accurate days-of-care data; and
- complied with certain promulgated announcements and regulations in the New York State *Standards of Payment*, and the City *Foster-Care Reimbursement Bulletin No. 92-5* and applicable amendments.

Scope and Methodology

To achieve our audit objectives, we reviewed and abstracted the rules and regulations governing foster care reimbursements in the New York State *Standards of Payment* and the City *Foster-Care Reimbursement Bulletin No. 92-5* and applicable amendments. We evaluated Louise Wise's internal control structure over the recording and reporting of revenue, expenses, and days-of-care for its foster care programs. To gain an understanding of its operations, we reviewed Louise Wise's *Finance and Administration Policies and Procedures Manual* and organizational chart, and conducted a walk-through of its operations, documenting the results through written narratives and memoranda.

To determine whether the expenses Louise Wise charged to its foster care programs were accurate and allowable, we obtained and reviewed its *Report of Actual Expenditures DSS-2652* and matched each expense item to the related accounts in its general ledger. We judgmentally sampled (based on dollar amount and type of expense) and traced expenses totaling \$1,358,804 of \$4,770,042 (28.5%) listed on Louise Wise's *Report of Actual Expenditures DSS-2652* to corresponding documentation such as invoices, petty cash vouchers, and canceled checks. For the 2001 Fiscal Year, we determined whether all administrative salaries totaling \$1,181,962 of Louise Wise personnel were charged to the correct cost centers and were actually for employees assigned to its foster care programs. We also determined whether health insurance payments, pension contributions, and social security payments were charged to the correct programs.

To determine whether all advances from ACS were correctly reported in Louise Wise's books and records and on the *Report of Actual Income DSS-2654* prepared and submitted by Louise Wise, we matched each reported revenue amount to the corresponding amounts in the general ledger and ACS payment records.

To determine whether Louise Wise reported its days-of-care accurately, we obtained their *Notice of Movement/Change* forms and *Days-of-Care Report* for Fiscal Year 2001, and compared them to the ACS "Care Day Census and Pass-Through Calculation" and the New York State "Maximum State Aid Rates for Foster Care Agencies." Finally, we determined whether the sampled expenses charged complied with New York State and ACS guidelines.

This 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 audit responsibilities of the City Comptroller as set forth in Chapter 5, § 93, of the New York City Charter.

Discussion of Audit Results

The matters covered in this report were discussed with officials from Louise Wise and from ACS during and at the conclusion of this audit. A preliminary draft report was sent to Louise Wise and ACS officials and was discussed at an exit conference on April 1, 2003. On May 2, 2003, we submitted a draft report to Louise Wise and ACS officials with a request for comments. We received a written response from ACS officials on May 19, 2003, that also responded on behalf of Louise Wise.

ACS stated that it will reimburse Louise Wise Services \$128,262 for expenditures incurred in excess of advances and advise its officials, in writing, to comply with the

Comptroller's recommendations by including only allowable expenses on its Report of Actual Expenditures DSS-2652, and by reporting its days-of-care accurately and in accordance with New York State and ACS regulations.

The full text of ACS comments is included as an addendum to this final report.

FINDINGS AND RECOMMENDATIONS

Louise Wise generally complied with promulgated announcements and regulations of the New York State *Standards of Payment* and the City *Foster-Care Reimbursement Bulletin No. 92-5*. It had an adequate system of internal controls over the recording and reporting of its revenue, expenses, and days-of-care.

However, as a result of our audit adjustments, Louise Wise is owed \$128,262, \$20,624 less than it would have received before taking our audit adjustments into account. (See Appendix I.)

ACS Owes Louise Wise \$128,262, \$20,624 Less Than the \$148,886 It Would Have Received from ACS

Louise Wise reported that it provided 100,907 days-of-care to children at its Foster Boarding Home; 6,991 days-of-care to mothers and their babies at its Mother-Babies Group Residence; and 2,317 days-of-care to mothers-to-be at its Maternity Program. Based on these days-of-care, Louise Wise would have been entitled to reimbursements totaling \$6,922,453, and would have been owed \$148,886. We found, however, that this amount was overstated by a net of \$20,624—\$20,926 for overbilled days-of-care less \$302 for payments that Louise Wise made to foster parents that were not reimbursed.

Specifically, Louise Wise billed ACS for 185 days-of-care when the children were not in attendance—either they were discharged from the facility or were absent without leave. As a result of these audit adjustments, Louise Wise is only due \$128,262, not the \$148,886. (See Appendices I, II, III, and IV.)

Louise Wise Claimed \$17,574 in Administrative Expenses That Were Disallowed

Louise Wise included \$17,574 in administrative expenses—\$11,374 for the Foster Boarding Home, \$4,807 for the Mother-Babies Group Residence, and \$1,393 for the Maternity Program—on its *Report of Actual Expenditures DSS-2652* that should not have been charged to its foster care programs. These expenses included non-child-specific legal fees, board member party and gifts, fund-raising costs, fines and penalties, the cost of dues to a representational organization, and other expenses that Louise Wise could not document.

The audit disallowances did not result in repayment of these funds to ACS because our computed operating per diem rates exceeded the maximum per diem rates allowed, even after we deducted the unallowable expenses.

Recommendations

We recommend that Louise Wise:

1. Report its days-of-care accurately and in accordance with New York State and ACS

regulations, billing ACS for only those children in attendance at its foster care programs.

2. Include only allowable program expenses on its *Report of Actual Expenditures DSS-2652*.

In addition, we recommend that ACS:

3. Reimburse Louise Wise \$128,262, rather than the \$148,886 it would have received before audit adjustments for expenditures incurred in excess of advances.
4. Ensure that Louise Wise complies with this report's recommendations. In that regard, ACS should issue a written notice to Louise Wise requiring that it implement the report's recommendations.

ACS Response: ACS stated that it will reimburse Louise Wise Services \$128,262 for expenditures incurred in excess of expenses and advise its officials, in writing, to comply with the Comptroller's recommendations by including only allowable expenses on its Report of Actual Expenditures DSS-2652, and by reporting its days-of-care accurately and in accordance with New York State and ACS regulations.

APPENDIX I

**LOUISE WISE SERVICES
SUMMARY SCHEDULE OF TOTAL AMOUNT DUE LOUISE WISE
JULY 1, 2000 to JUNE 30, 2001**

AMOUNT ADVANCED BY ACS	\$	6,799,731
ACS RECONCILIATION RECOUPMENT FOR FY 2001		(26,164)
NET AMOUNT ADVANCED BY ACS	\$	<u>6,773,567</u>
FOSTER BOARDING HOME EXPENDITURES (APPENDIX II)	\$	5,556,948
MOTHER-BABIES GROUP RESIDENCE EXPENDITURES (APPENDIX III)		1,013,136
MATERNITY PROGRAM EXPENDITURES (APPENDIX IV)		<u>352,369</u>
TOTAL LOUISE WISE EXPENDITURES	\$	<u>6,922,453</u>
EXPENDITURES IN EXCESS OF ADVANCES	\$	<u>(148,886)</u>
<u>AUDIT ADJUSTMENTS</u>		
OVERBILLED DAYS OF CARE *	\$	20,926
UNDERREIMBURSED PAYMENTS TO FOSTER PARENTS		<u>(302)</u>
TOTAL ADJUSTMENTS	\$	<u>20,624</u>
TOTAL AMOUNT DUE LOUISE WISE	\$	<u><u>(128,262)</u></u>

* FOSTER BOARDING HOME 65 DAYS - \$3,536
MOTHER-BABIES GROUP RESIDENCE 120 DAYS - \$17,390

APPENDIX II

LOUISE WISE SERVICES
 STATEMENT OF BASIS FOR THE PER DIEM RATE AS "AUDITED"
 FOSTER BOARDING HOME
 JULY 1, 2000 to JUNE 30, 2001

	TOTAL BOARDING HOME	ADMINISTRATIVE	PASS THROUGH
TOTAL REPORTED EXPENSES PER DSS-2652	\$ 6,963,962.00	\$ 4,343,666.00	\$ 2,620,296.00
LESS: AUDIT DISALLOWANCES	(11,576.29)	(11,374.44)	(201.85)
TOTAL ALLOWABLE EXPENSES AS AUDITED	\$ 6,952,385.71	\$ 4,332,291.56	\$ 2,620,094.15
ACS PAID DAYS-OF-CARE	100,907	100,907	100,907
OPERATING PER DIEM RATE	\$ 68.90	\$ 42.93	\$ 25.97
MAXIMUM ADMINISTRATIVE PER DIEM RATE		\$ 29.10	
FINAL PER DIEM RATE (LOWER OF MAXIMUM OR OPERATING RATE)	\$ 55.07	\$ 29.10	\$ 25.97

CALCULATION OF AMOUNT DUE TO ACS (AGENCY)

FINAL PER DIEM RATE	\$ 55.07	\$ 29.10	\$ 25.97
TOTAL ACS DAYS-OF-CARE AS AUDITED	100,907	100,907	100,907
TOTAL AMOUNT DUE	\$ 5,556,948.49	\$ 2,936,393.70	\$ 2,620,554.79

APPENDIX III

**LOUISE WISE SERVICES
STATEMENT OF BASIS FOR THE PER DIEM RATE AS "AUDITED"
MOTHER-BABIES GROUP RESIDENCE
JULY 1, 2000 to JUNE 30, 2001**

TOTAL REPORTED EXPENSES PER DSS-2652	\$	1,205,372.00
LESS: AUDIT DISALLOWANCES		(4,806.69)
TOTAL ALLOWABLE EXPENSES AS AUDITED	\$	<u>1,200,565.31</u>

ACS PAID DAYS-OF-CARE		6,991
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OPERATING PER DIEM RATE	\$	<u>171.73</u>
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MAXIMUM PER DIEM RATE	\$	<u>144.92</u>
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FINAL PER DIEM RATE (LOWER OF MAXIMUM OR OPERATING RATE)	\$	<u>144.92</u>
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CALCULATION OF AMOUNT DUE TO ACS (AGENCY)

FINAL PER DIEM RATE	\$	144.92
TOTAL ACS DAYS-OF-CARE AS AUDITED		<u>6,991</u>

TOTAL AMOUNT DUE	\$	<u>1,013,135.72</u>
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APPENDIX IV

**LOUISE WISE SERVICES
STATEMENT OF BASIS FOR THE PER DIEM RATE AS "AUDITED"
MATERNITY PROGRAM
JULY 1, 2000 to JUNE 30, 2001**

TOTAL REPORTED EXPENSES PER DSS-2652	\$	541,232.00
LESS: AUDIT DISALLOWANCES		(1,392.97)
TOTAL ALLOWABLE EXPENSES AS AUDITED	\$	<u>539,839.03</u>

ACS PAID DAYS-OF-CARE		2,317
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OPERATING PER DIEM RATE	\$	<u>232.99</u>
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MAXIMUM PER DIEM RATE	\$	<u>152.08</u>
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FINAL PER DIEM RATE (LOWER OF MAXIMUM OR OPERATING RATE)	\$	<u>152.08</u>
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CALCULATION OF AMOUNT DUE TO ACS (AGENCY)

FINAL PER DIEM RATE	\$	152.08
TOTAL ACS DAYS-OF-CARE AS AUDITED		<u>2,317</u>

TOTAL AMOUNT DUE	\$	<u>352,369.36</u>
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Administration for Children's Services

150 William Street – 13th Floor
New York, New York 10038

William C. Bell
Commissioner

May 19, 2003

Mr. Greg Brooks, Deputy Comptroller
Policy, Audits, Accountancy & Contracts
The City of New York Office of the Comptroller
Executive Offices
1 Centre Street
New York, NY 10007-2341

Re: NYC Comptroller's Audit Report FN03-095A on the Compliance of
Louise Wise Services With Foster and Child Care Payments Regulations
July 1, 2000 – June 30, 2001

Dear Mr. Brooks:

Thank you for sharing with us the Draft Audit Report for the above captioned audit.

Attached is our response to your recommendations and appropriate Audit Implementation Plans (AIPs). We would like to thank the Comptroller's Office for the professionalism of your staff while conducting this audit.

If you have any questions, please do not hesitate to contact me.

Sincerely,

A handwritten signature in cursive script that reads "W. C. Bell".

William C. Bell

Attachments

City of New York Office of the Comptroller
New York City Administration for Children's Services
Louise Wise Services
Audit Number FN03-095A

Administration for Children's Services
Response to Recommendations
May 19, 2003

ACS was pleased to have confirmation from the Comptroller's audit report that:

Louise Wise Services generally complied with promulgated announcements and regulations of the New York State *Standards of Payment* and the City *Foster-Care Reimbursement Bulletin No. 92.5*. It had an adequate system of internal controls over the recording and reporting of its revenue and expenses, and days-of-care.

Recommendation 1

Louise Wise Services will report its days-of-care accurately and in accordance with New York State and ACS regulations, billing ACS for only those children in attendance at its foster care program.

Recommendation 2

Louise Wise Services is continually reviewing the regulations to ensure that in future filings, costs that are not allowable per the regulations contained in the New York State *Program Manual Standards of Payment for Foster Care of Children* and ACS regulations contained in the New York City *CWA Foster-Care Reimbursement Bulletin No. 92-5* are not included on the Form DSS-2652.

Recommendation 3

ACS will reimburse Louise Wise Services \$128,262 for expenditures incurred in excess of advances.

Recommendation 4

ACS will also advise Louise Wise Services, in writing, that they are required to comply with the Comptroller's recommendations.

AUDIT IMPLEMENTATION PLAN
NEW YORK CITY COMPTROLLER'S AUDIT NUMBER FN03-095A
AUDIT REPORT ON THE COMPLIANCE OF LOUISE WISE SERVICES WITH FOSTER CARE PAYMENT REGULATIONS
JULY 1, 2000 – JUNE 30, 2001
AUDIT REPORT DATE: MAY 2, 2003

RECOMMENDATION #1: Louise Wise should report its days-of-care accurately and in accordance with New York State and ACS regulations, billing ACS for only those children in attendance at its foster care program.

RESPONSIBLE MANAGER'S NAME: Michael Rosen, Chief Financial Officer Louise Wise Services

CORRECTIVE ACTIONS TO BE TAKEN	RESPONSIBLE PERSON	DATES		DOCUMENTATION	COMMENTS
		START	END		
Louise Wise Services will report its days-of-care accurately and in accordance with New York State and ACS regulations, billing ACS for only those children in attendance at its foster care program.	Doris Bembury, Accounts Receivable	Immediately	Ongoing	The next SOP, due in the fall of 2003.	

AUDIT IMPLEMENTATION PLAN
NEW YORK CITY COMPTROLLER'S AUDIT NUMBER FN03-095A
AUDIT REPORT ON THE COMPLIANCE OF LOUISE WISE SERVICES WITH FOSTER CARE PAYMENT REGULATIONS
JULY 1, 2000 – JUNE 30, 2001
AUDIT REPORT DATE: MAY 2, 2003

RECOMMENDATION #2: Louise Wise should include only allowable program expenses on its *Report of Actual Expenditures DSS-2652*.
RESPONSIBLE MANAGER'S NAME: Michael Rosen, Chief Financial Officer Louise Wise Services

CORRECTIVE ACTIONS TO BE TAKEN	RESPONSIBLE PERSON	DATES		DOCUMENTATION	COMMENTS
		START	END		
Louise Wise Services is continually reviewing the regulations to ensure that in future filings, costs that are not allowable per the regulations contained in the New York State <i>Program Manual Standards of Payment for Foster Care of Children</i> and ACS regulations contained in the New York City <i>CIFA Foster-Care Reimbursement Bulletin No. 92-5</i> are not included on the Form DSS-2652.	Krish Levan, Comptroller	Immediately	Ongoing	SOP Report of Actual Expenditures DSS-2652.	

AUDIT IMPLEMENTATION PLAN
NEW YORK CITY COMPTROLLER'S AUDIT NUMBER FN03-095A
AUDIT REPORT ON THE COMPLIANCE OF LOUISE WISE SERVICES WITH FOSTER CARE PAYMENT REGULATIONS
JULY 1, 2000 – JUNE 30, 2001
AUDIT REPORT DATE: MAY 2, 2003

RECOMMENDATION #3: ACS should reimburse Louise Wise \$128,262, rather than the \$148,886 it would have received before audit adjustments for expenditures incurred in excess of advances.

RESPONSIBLE MANAGER'S NAME: Susan Nuccio, Associate Commissioner ACS Financial Services

CORRECTIVE ACTIONS TO BE TAKEN	RESPONSIBLE PERSON	DATES		DOCUMENTATION	COMMENTS
		START	END		
ACS will reimburse Louise Wise Services \$128,262 for expenditures incurred in excess of advances.	Tom Welsh, Director Audit Services	05/03			Assessment letter sent 05/09/03.

AUDIT IMPLEMENTATION PLAN
NEW YORK CITY COMPTROLLER'S AUDIT NUMBER FN03-095A
AUDIT REPORT ON THE COMPLIANCE OF LOUISE WISE SERVICES WITH FOSTER CARE PAYMENT REGULATIONS
JULY 1, 2000 - JUNE 30, 2001
AUDIT REPORT DATE: MAY 2, 2003

RECOMMENDATION #4 ACS should ensure that Louise Wise complies with this report's recommendations. In that regard, ACS should issue a written notice to Louise Wise requiring that it implement the report's recommendations.

RESPONSIBLE MANAGER'S NAME: Susan Nuccio, Associate Commissioner ACS Financial Services

CORRECTIVE ACTIONS TO BE TAKEN	RESPONSIBLE PERSON	DATES		DOCUMENTATION	COMMENTS
		START	END		
ACS will also advise Louise Wise Services, in writing, that they are required to comply with the Comptroller's recommendations.	Tom Welsh, Director Audit Services	Immediately	Ongoing	Letter to Louise Wise Services dated 05/09/03	