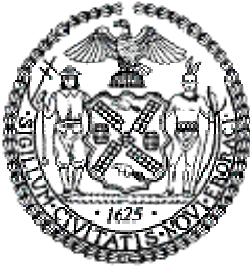


AUDIT REPORT



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

Audit Report on the Compliance of New York Foundling Hospital, Inc., With Its Contracts with the Administration for Children's Services

FM04-069A

June 30, 2005



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 responsibilities of the Comptroller contained in Chapter 5, § 93, of the New York City Charter, my office conducted an audit of the compliance of New York Foundling Hospital, Inc. with its City contracts that were awarded by the Administration for Children's Services. The results of our audit, which are presented in this report, have been discussed with officials of New York Foundling Hospital, Inc. and the Administration for Children's Services.

Audits such as this provide a means of ensuring that private concerns that conduct business with the City comply with the terms of their agreements, properly report expenditures, and receive 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.

WCT/gr

Report: FM04-069A
Filed: June 30, 2005

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

**Audit Report on the Compliance of
New York Foundling Hospital, Inc.
With Its Contracts with the
Administration for Children's Services**

FM04-069A

AUDIT REPORT IN BRIEF

The Comptroller's Office performed an audit to determine whether New York Foundling Hospital, Inc. (NY Foundling) spent funds in accordance with the terms of its contracts awarded by the Administration for Children's Services (ACS). Under the terms of the agreements, NY Foundling provides various social service programs to individuals and families in New York City. In Fiscal Year 2002, ACS awarded NY Foundling six contracts covering nine programs: four general preventive programs, two specialized preventive programs, and three family rehabilitation programs. The total funding provided by ACS for those programs during Fiscal Year 2002 was approximately \$5.4 million.

Audit Findings and Conclusions

Based on claims submitted for Fiscal Year 2002, NY Foundling received reimbursements of \$5,326,792. However, based on our review of NY Foundling's books and records, it was entitled to reimbursements of only \$4,873,910. This resulted in NY Foundling owing the City \$452,882. The amount owed consisted of:

- Expenditures that NY Foundling charged to the wrong program.
- Expenditures for which program files lacked sufficient supporting documentation.
- One expenditure in which NY Foundling charged ACS twice.

It should be noted that subsequent to the issuance of the preliminary draft report—nearly three years after the close of the program year—ACS approved nine budget modifications which legitimized \$409,651 of the \$452,882 that we reported were improperly reimbursed to NY Foundling. Although it is within ACS' purview to approve such budget modifications, we

question the propriety of the approvals. Clearly, the approvals were not made to enhance the programs, rather they were simply made to ensure that NY Foundling did not have to return the funds improperly reimbursed where expenditures exceeded the approved budgets. As a result, NY Foundling only owes the City \$43,231.

Audit Recommendations

To address these issues, NY Foundling should:

- Immediately repay ACS \$43,231 for the improper reimbursements identified in this report.
- Properly maintain all documentation in program files to support program expenditures.
- Charge expenses to the proper programs.
- Ensure that ACS is not charged for expenses that exceed approved program budgets.

Additionally, ACS should:

- Ensure that NY Foundling implements the report's recommendations.
- Discontinue the practice of approving budget modifications after the close of the program year.
- Carefully review each budget modification to ensure that changes conform to the requirements of the contracts.

INTRODUCTION

Background

The New York Foundling Hospital, Inc. (NY Foundling) is a not-for-profit organization that offers social service programs including foster care, pre-school, day care, nursery care, after-school care, and teen parenting to individuals and families in New York City. Many of these programs are funded and provided through contracts that were awarded to NY Foundling by the Administration for Children's Services (ACS). In Fiscal Year 2002, ACS awarded NY Foundling six contracts covering nine programs: four general preventive programs, two specialized preventive programs, and three family rehabilitation programs. The total funding provided by ACS for those programs during Fiscal Year 2002 was approximately \$5.4 million.

Objective

The audit's objective is to determine whether NY Foundling spent funds in accordance with the terms of its contracts.

Scope and Methodology

The scope of this audit was Fiscal Year 2002 (July 1, 2001—June 30, 2002). We interviewed NY Foundling officials to obtain an understanding of NY Foundling's programs and the reimbursement process for program costs. We reviewed the six contracts for all nine NY Foundling programs, their related budgets, and reimbursement requests. In addition, we reviewed ACS payment records to determine whether the amounts paid were in accordance with the approved budgets and the terms of the contracts.

To obtain an understanding of NY Foundling's internal controls over the recording and reporting of its program expenses and reimbursements, we interviewed NY Foundling personnel and conducted a walk-through of its operations. We documented our understanding of the internal controls through narrative memoranda. To determine whether monthly expenses were properly submitted to ACS for reimbursement, we traced the monthly claim reports to NY Foundling's general ledger.

For our review of Personal Service (PS) expenditures, we analyzed the June 2002 payroll register—the last month in the fiscal year audited. We reviewed all program employees' timesheets and payroll records to determine whether: timesheets were properly authorized; whether employees were paid based on actual hours worked; and whether the amounts paid to employees were accurately recorded in the general ledger and on the financial statements. In addition, we randomly sampled 20 of the 171 employees employed during Fiscal year 2002 and traced their salaries (as recorded in the payroll register) to the amounts that were reported in the general ledger and the financial statements. We then judgmentally selected 114 of the 171 employees for whom the titles listed on the program budget were different than those listed on supplemental schedules of the 2002 financial statements. For each employee, we determined whether the amounts paid were in accordance with the approved budgets. We also reviewed any adjusting journal entries for PS expenses on NY Foundling's books and records to determine whether the adjustments were appropriate.

For Other Than Personal Service (OTPS) expenditures, we judgmentally selected a sample of 325 transactions based on dollar amount and expenditure type. We traced the expenditures from the general ledger to corresponding source documents (e.g., invoices, accounts payable vouchers, and canceled checks) and determined whether payments were properly authorized and charged to the appropriate programs, in accordance with the approved budgets. We also reviewed the adjusting journal entries for OTPS expenses on NY Foundling's books and records to determine whether the adjustments were appropriate.

We verified whether all expenses charged to each contract during the audit period were in accordance with the approved budgets. Finally, we traced the program expenses to NY Foundling's 2002 financial statements and federal income tax return.

The results of our tests, while not projectable to all expenditures charged to NY Foundling's contracts, provided a reasonable basis to assess whether NY Foundling accurately reported program costs and was reimbursed in accordance with the contracts.

This audit was conducted in accordance with generally accepted government auditing standards (GAGAS) and included tests of 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, §93, of the New York City Charter.

Discussion of Audit Results

The matters covered in this report were discussed with officials of NY Foundling and of ACS during and at the conclusion of this audit. A preliminary draft report was sent to officials of NY Foundling and of ACS and discussed at an exit conference held on March 23, 2005. On April 25, 2005, we submitted a draft report to those officials with a request for comments. We received a response from ACS on May 5, 2005. ACS, responding on behalf of itself and NY Foundling, described the steps that have been or will be taken to address the recommendations.

The full text of the ACS response is included as an addendum to this report.

FINDINGS AND RECOMMENDATIONS

NY Foundling Was Improperly Reimbursed \$452,882

For the audit period, NY Foundling received reimbursements of \$5,326,792. However, based on our review of NY Foundling's books and records, it was entitled to reimbursements of only \$4,873,910. This resulted in NY Foundling owing the City \$452,882. (See Table I and Appendices I through IX for the breakdown of questionable costs and the amounts improperly reimbursed to NY Foundling.) The amount owed consists of:

- Expenditures that exceeded the approved budget amount for the particular program. For example, NY Foundling spent \$169,127 for salaries of child-care workers for its Respite Care program, although the approved budget for these salaries totaled only \$79,813.
- Expenditures that NY Foundling charged to the wrong program. For example, the Bronx Family Rehabilitation program was charged \$12,790 for the salary of a social worker who was actually employed in a different program.
- Expenditures for which program files lacked sufficient supporting documentation (e.g., invoices and canceled checks). For example, NY Foundling issued a check

totaling \$1,249 which, according to the files, was for the purchase of five infant cribs and five strollers. However, no vendor invoices or canceled checks were on file to support this purchase. After we mentioned this issue to NY Foundling officials, they confirmed that the expense was never incurred.

Finally, we found one instance in which NY Foundling charged ACS twice for one expense—annual telephone maintenance expense of \$1,536.

Specifically, ACS properly paid NY Foundling for expenses for one program, underpaid it for another program and overpaid it for the remaining seven, as shown in Table I, following.

Table I

Improper Payments by Program

<u>Programs</u>	<u>Amount Paid by ACS</u>	<u>Audited Amount</u>	<u>Difference (Overpayment) Underpayment</u>
<i>General Preventive</i>			
Bronx	\$1,271,813	\$1,271,813	\$ -
Manhattan	763,618	686,478	(77,140)
Queens	810,527	683,042	(127,485)
Staten Island	572,498	533,156	(39,342)
<i>Specialized Preventive</i>			
Hearing Impaired	348,835	353,231	4,396
Respite Care	446,500	359,991	(86,509)
<i>Family Rehabilitation</i>			
Bronx	487,449	428,058	(59,391)
Manhattan	404,911	370,318	(34,593)
Queens	<u>220,641</u>	<u>187,823</u>	<u>(32,818)</u>
Total	<u>\$5,326,792</u>	<u>\$4,873,910</u>	<u>(\$452,882)</u>

Subsequent to the issuance of the preliminary draft report—nearly three years after the close of the program year—ACS approved nine budget modifications which legitimized \$409,651 of the \$452,882 that we reported were improperly reimbursed to NY Foundling. Although it is within ACS’ purview to approve such budget modifications, we question the propriety of the approvals. Clearly, the approvals were not made to enhance the programs, rather they were simply made to ensure that NY Foundling did not have to return the funds improperly reimbursed where expenditures exceeded the approved budgets.

ACS Response: “ACS Budget and Closeout did not approve any over the line expenses. The Program submits a budget, which is a proposal, at the start of the fiscal year. Sub-lines are estimated and are subject to adjustment as needed to address the actual expenditures incurred by the Program. ACS monitors the category not the sub-lines. Programs would have difficulty operating otherwise. The questioned costs categorized as ‘not consistent with budget’, mainly, are of this nature.”

Auditor Comment: We question how ACS concluded that budget modifications were appropriate in these instances. Although it states that “ACS monitors the category not the sub-lines,” that “programs would have difficulty operating otherwise,” and that “the questioned costs categorized as ‘not consistent with budget,’ mainly, are of this nature,” we disagree. ACS retroactively allowed NY Foundling to use \$42,912 of program funds that were earmarked for parent aides to pay for a secretary and a receptionist. Similarly, it retroactively allowed NY Foundling to use program funds designated for a community organizer to pay for another secretary and it used program funds for a raise for a maintenance worker instead of paying for case aides. In each instance, ACS allowed NY Foundling to use funds earmarked for “program” expenses, for administrative purposes. We believe that it is incumbent on ACS to ensure that such charges are approved prior to taking place, not three years after the fact.

Recommendations

NY Foundling should:

1. Immediately repay ACS \$43,231 for the improper reimbursements identified in this report.

ACS Response: “The New York Foundling Hospital, Inc. agrees with this finding and will repay ACS \$43,231 for the improper reimbursement identified in the Comptroller’s audit.”

2. Properly maintain all documentation in program files to support program expenditures.

ACS Response: “New York Foundling Hospital, Inc. adapted a centralized Accounts Payable system where invoices are processed and all files are maintained with corresponding copies of checks. All expenditures are properly recorded in the General Ledger and verification, analysis and reconciliation are performed.”

3. Charge expenses to the proper programs.

ACS Response: “New York Foundling Hospital, Inc. will carefully review all charges and expenses to verify who made the request, who is the user, and where the charges should be billed. Supplies purchased in quantity, to take advantage of the lower price, will be cost allocated to the proper program depending on their use of the supplies. Utilities, rent of equipments, and all other shared expenses will be shared by all

concerned programs based on a cost allocation methodology. Program Directors were instructed to use a proper cost allocation methodology when coding their expenses. Whenever possible they are to request purchase orders individually for each program.”

4. Ensure that ACS is not charged for expenses that exceed approved program budgets.

ACS Response: “The New York Foundling Hospital, Inc. has not received any reimbursement from ACS that exceeded the approved program budgets. New York Foundling Hospital, Inc. has to show to ACS the actual operational costs of each program at the end of the program year. New York Foundling Hospital, Inc. is not expecting ACS reimbursement for expenses that exceeded the approved allowable program budget but have to show the actual program cost for possible increases in funding upon re-evaluation of the budget.”

ACS should:

5. Ensure that NY Foundling implements the report’s recommendations.

ACS Response: “A letter dated 04/27/05 was sent to the Program’s Executive Director advising that New York Foundling Hospital, Inc. is required to comply with the recommendations made in the New York City Comptroller’s audit report.”

6. Discontinue its practice of approving budget modifications after the close of the program year.

ACS Response: “ACS will require programs to submit final requests for budget modifications within 30 days from the date of the Closeout letter. ACS monitors program expenditures by category of expense.”

7. Carefully review each budget modification to ensure that changes conform to the requirements of the contracts.

ACS Response: “ACS will review each budget modification to ensure changes conform to the requirements of the contract and adhere to agency policies.”

Analysis of Program Cost for General Preventive Program - Bronx (804 & 807)
For the Fiscal Year Ended June 30, 2002

Expenses	Allowable			Questionable Costs**					Total
	Approved Budget	Expenses per Audit	Private Share*	Not Consistent with Budget	Other Programs	Insufficient Documents	Duplicated Expenses		
<i>Personnel</i>									
Salaries	\$ 921,157.00	\$ 877,032.15		\$ 20,735.93	\$ 23,762.92	\$ -	\$ -	\$ 44,498.85	
Fringes (23%)	\$ 211,866.00	\$ 201,717.39		\$ 4,769.26	\$ 5,465.47	\$ -	\$ -	\$ 10,234.74	
<i>Total PS</i>	\$ 1,133,023.00	\$ 1,078,749.54		\$ 25,505.19	\$ 29,228.39	\$ -	\$ -	\$ 54,733.59	
<i>OTPS</i>									
Rent	\$ 54,997.00	\$ 54,997.00		\$ 3,691.66	\$ -	\$ -	\$ -	\$ 3,691.66	
Consultants	\$ -	\$ -		\$ -	\$ -	\$ -	\$ -	\$ -	
Misc OTPS	\$ 44,073.00	\$ 38,209.26		\$ 9,253.86	\$ (4,267.55)	\$ 8,292.50	\$ 1,536.00	\$ 14,814.81	
<i>Total OTPS</i>	\$ 99,070.00	\$ 93,206.26		\$ 12,945.52	\$ (4,267.55)	\$ 8,292.50	\$ 1,536.00	\$ 18,506.47	
<i>Total PS & OTPS</i>	\$ 1,232,093.00	\$ 1,171,955.80		\$ 38,450.71	\$ 24,960.84	\$ 8,292.50	\$ 1,536.00	\$ 73,240.06	
Administration	\$ 106,657.00	\$ 106,657.00		\$ 22,485.00	\$ -	\$ -	\$ -	\$ 22,485.00	
Total	\$ 1,338,750.00	\$ 1,278,612.80	\$ 6,800.30	\$ 60,935.71	\$ 24,960.84	\$ 8,292.50	\$ 1,536.00	\$ 95,725.06	
95% of the Total Approved Budget		\$ 1,271,812.50							
ACS Paid		\$ 1,271,812.50							
Underpayment or (Overpayment)		\$ -							

*Private Share represents allowable program expenses that exceed the maximum amount (95 percent of the total program budget) that ACS would reimburse.

** Questionable Costs are expenses charged to a program but not entitled for reimbursement by ACS. After adjusting the Questionable Costs, we compared the allowable expenses to the actual amount reimbursed by ACS.

**Analysis of Program Cost for General Preventive Program - Queens (854)
For the Fiscal Year Ended June 30, 2002**

	Expenses	Allowable				Questionable Costs**				Total
		Approved Budget	Expenses per Audit	Private Share*	Not Consistent with Budget	Other Programs	Insufficient Documents	Duplicated Expenses		
<i>Personnel</i>										
Salaries	\$ 507,440.00	\$ 420,853.30	\$ 72,905.53	\$ 14,426.17	\$ -	\$ -	\$ -	\$ 87,331.70		
Fringes (23%)	\$ 116,711.00	\$ 96,796.26	\$ 16,768.27	\$ 3,318.02	\$ -	\$ -	\$ -	\$ 20,086.29		
<i>Total PS</i>	\$ 624,151.00	\$ 517,649.56	\$ 89,673.80	\$ 17,744.19	\$ -	\$ -	\$ -	\$ 107,417.99		
<i>OTPS</i>										
Rent	\$ 82,104.21	\$ 69,055.51	\$ -	\$ 220.67	\$ 8,722.58	\$ -	\$ -	\$ 8,943.25		
Consultants	\$ 1,363.16	\$ 875.00	\$ -	\$ -	\$ 420.00	\$ -	\$ -	\$ 420.00		
Misc OTPS	\$ 71,039.00	\$ 20,933.35	\$ 13,622.22	\$ 2,740.93	\$ 26,305.94	\$ -	\$ -	\$ 42,669.09		
<i>Total OTPS</i>	\$ 154,506.37	\$ 90,863.86	\$ 13,622.22	\$ 2,961.60	\$ 35,448.52	\$ -	\$ -	\$ 52,032.34		
<i>Total PS & OTPS</i>	\$ 778,657.37	\$ 608,513.42	\$ 103,296.02	\$ 20,705.79	\$ 35,448.52	\$ -	\$ -	\$ 159,450.33		
Administration	\$ 74,528.63	\$ 74,528.63	\$ 931.37	\$ -	\$ -	\$ -	\$ -	\$ 931.37		
Total	\$ 853,186.00	\$ 683,042.05	\$ -	\$ 104,227.39	\$ 20,705.79	\$ 35,448.52	\$ -	\$ 160,381.70		
95% of the Total Approved Budget	\$ 810,526.70									
ACS Paid	\$ 810,526.70									
Underpayment or (Overpayment)	\$ (127,484.65)									

Analysis of Program Cost for General Preventive Program - Staten Island (802)
For the Fiscal Year Ended June 30, 2002

	Expenses	Allowable			Questionable Costs**				Total
		Approved Budget	Expenses per Audit	Private Share*	Not Consistent with Budget	Other Programs	Insufficient Documents	Duplicated Expenses	
<i>Personnel</i>									
Salaries	\$ 405,945.00	\$ 362,573.31		\$ 16,848.35	\$ 20,328.00	\$ 2,215.00	\$ -	\$ 39,391.35	
Fringes (23%)	\$ 93,367.00	\$ 83,391.86		\$ 3,875.12	\$ 4,675.44	\$ 509.45	\$ -	\$ 9,060.01	
<i>Total PS</i>	\$ 499,312.00	\$ 445,965.17		\$ 20,723.47	\$ 25,003.44	\$ 2,724.45	\$ -	\$ 48,451.36	
<i>OTPS</i>									
Rent	\$ 19,000.00	\$ 16,569.14		\$ 5,411.31	\$ 92.75	\$ -	\$ -	\$ 5,504.06	
Consultants	\$ 3,500.00	\$ -		\$ -	\$ -	\$ -	\$ -	\$ -	
Misc OTPS	\$ 31,791.00	\$ 21,595.07		\$ 24,187.63	\$ -	\$ 8,421.05	\$ -	\$ 32,608.68	
<i>Total OTPS</i>	\$ 54,291.00	\$ 38,164.21		\$ 29,598.94	\$ 92.75	\$ 8,421.05	\$ -	\$ 38,112.74	
<i>Total PS & OTPS</i>	\$ 553,603.00	\$ 484,129.38		\$ 50,322.41	\$ 25,096.19	\$ 11,145.50	\$ -	\$ 86,564.10	
Administration	\$ 49,027.00	\$ 49,027.00		\$ 6,224.00	\$ -	\$ -	\$ -	\$ 6,224.00	
Total	\$ 602,630.00	\$ 533,156.38	\$ -	\$ 56,546.41	\$ 25,096.19	\$ 11,145.50	\$ -	\$ 92,788.10	
95% of the Total Approved Budget ACS Paid	\$ 572,498.50	\$ 572,498.56							
Underpayment or (Overpayment)	\$ (39,342.18)								

Analysis of Program Cost for Specialized Preventive Program - Hearing Impaired (809)
For the Fiscal Year Ended June 30, 2002

Expenses	Allowable			Questionable Costs**					Total
	Approved Budget	Expenses per Audit	Private Share*	Not Consistent with Budget	Other Programs	Insufficient Documents	Duplicated Expenses		
<i>Personnel</i>									
Salaries	\$ 260,334.47	\$ 237,640.00		\$ 2.00	\$ -	\$ -	\$ -	\$ 2.00	
Fringes (24.19%)	\$ 62,987.00	\$ 57,485.12		\$ 0.48	\$ -	\$ -	\$ -	\$ 0.48	
<i>Total PS</i>	\$ 323,321.47	\$ 295,125.12		\$ 2.48	\$ -	\$ -	\$ -	\$ 2.48	
<i>OTPS</i>									
Rent	\$ -	\$ -		\$ -	\$ -	\$ -	\$ -	\$ -	
Consultants	\$ 10,815.79	\$ 10,275.00		\$ -	\$ -	\$ -	\$ -	\$ -	
Misc OTPS	\$ 16,456.84	\$ 15,592.72		\$ 2,735.43	\$ -	\$ 1,752.62	\$ -	\$ 4,488.05	
<i>Total OTPS</i>	\$ 27,272.63	\$ 25,867.72		\$ 2,735.43	\$ -	\$ 1,752.62	\$ -	\$ 4,488.05	
Total PS & OTPS	\$ 350,594.10	\$ 320,992.84		\$ 2,737.91	\$ -	\$ 1,752.62	\$ -	\$ 4,490.53	
Administration	\$ 32,237.89	\$ 32,237.89		\$ 7,661.11	\$ -	\$ -	\$ -	\$ 7,661.11	
Total	\$ 382,831.99	\$ 353,230.73	\$ -	\$ 10,399.02	\$ -	\$ 1,752.62	\$ -	\$ 12,151.64	
95% of the Total Approved Budget		\$ 363,690.39							
ACS Paid		\$ 348,835.00							
Underpayment or (Overpayment)		\$ 4,395.73							

Analysis of Program Cost for Specialized Preventive Program - Respite Care (803)
For the Fiscal Year Ended June 30, 2002

Expenses	Allowable			Questionable Costs**				
	Approved Budget	Expenses per Audit	Private Share*	Not Consistent with Budget	Other Programs	Insufficient Documents	Duplicated Expenses	Total
<i>Personnel</i>								
Salaries	\$ 316,613.00	\$ 227,021.00		\$ 137,847.00	\$ -	\$ -	\$ -	\$ 137,847.00
Fringes (20.75%)	\$ 65,691.00	\$ 47,106.86		\$ 28,603.25	\$ -	\$ -	\$ -	\$ 28,603.25
<i>Total PS</i>	\$ 382,304.00	\$ 274,127.86		\$ 166,450.25	\$ -	\$ -	\$ -	\$ 166,450.25
<i>OTPS</i>								
Rent	\$ 33,600.00	\$ 33,600.00		\$ -	\$ -	\$ -	\$ -	\$ -
Consultants	\$ -	\$ -		\$ -	\$ -	\$ -	\$ -	\$ -
Misc OTPS	\$ 16,496.00	\$ 14,663.41		\$ 15,060.95	\$ -	\$ 2,357.54	\$ -	\$ 17,418.49
<i>Total OTPS</i>	\$ 50,096.00	\$ 48,263.41		\$ 15,060.95	\$ -	\$ 2,357.54	\$ -	\$ 17,418.49
<i>Total PS & OTPS</i>	\$ 432,400.00	\$ 322,391.27		\$ 181,511.20	\$ -	\$ 2,357.54	\$ -	\$ 183,868.74
Administration	\$ 37,600.00	\$ 37,600.00		\$ 40,628.00	\$ -	\$ -	\$ -	\$ 40,628.00
Total	\$ 470,000.00	\$ 359,991.27	\$ -	\$ 222,139.20	\$ -	\$ 2,357.54	\$ -	\$ 224,496.74
95% of the Total Approved Budget		\$ 446,500.00						
ACS Paid		\$ 446,500.00						
Underpayment or (Overpayment)		\$ (86,508.73)						

Analysis of Program Cost for Family Rehabilitation Program - Bronx (808)
For the Fiscal Year Ended June 30, 2002

Expenses	Approved Budget	Allowable Expenses per Audit	Private Share*	Not Consistent with Budget	Questionable Costs**			Total
					Other Programs	Insufficient Documents	Duplicated Expenses	
<i>Personnel</i>								
Salaries	\$ 313,683.74	\$ 272,608.09		\$ 31,252.64	\$ 9,593.27	\$ -	\$ -	\$ 40,845.91
Fringes (22.84%)	\$ 71,647.00	\$ 62,263.69		\$ 7,138.10	\$ 2,191.10	\$ -	\$ -	\$ 9,329.21
<i>Total PS</i>	\$ 385,330.74	\$ 334,871.78		\$ 38,390.74	\$ 11,784.37	\$ -	\$ -	\$ 50,175.12
<i>OTPS</i>								
Rent	\$ 14,500.00	\$ 12,221.03		\$ -	\$ -	\$ 2,278.97	\$ -	\$ 2,278.97
Consultants	\$ -	\$ -		\$ -	\$ -	\$ -	\$ -	\$ -
Misc OTPS	\$ 72,225.26	\$ 43,928.22		\$ 2,456.37	\$ 4,705.75	\$ 3,513.11	\$ -	\$ 10,675.23
<i>Total OTPS</i>	\$ 86,725.26	\$ 56,149.25		\$ 2,456.37	\$ 4,705.75	\$ 5,792.08	\$ -	\$ 12,954.20
<i>Total PS & OTPS</i>	\$ 472,056.00	\$ 391,021.03		\$ 40,847.11	\$ 16,490.12	\$ 5,792.08	\$ -	\$ 63,129.32
Administration	\$ 41,048.00	\$ 37,037.00		\$ -	\$ -	\$ -	\$ -	\$ -
Total	\$ 513,104.00	\$ 428,058.03	\$ -	\$ 40,847.11	\$ 16,490.12	\$ 5,792.08	\$ -	\$ 63,129.32
95% of the Total Approved Budget		\$ 487,448.80						
ACS Paid		\$ 487,448.80						
Underpayment or (Overpayment)		\$ (59,390.77)						

APPENDIX VIII

Analysis of Program Cost for Family Rehabilitation Program - Manhattan (852)
For the Fiscal Year Ended June 30, 2002

Expenses	Allowable			Questionable Costs**					Total
	Approved Budget	Expenses per Audit	Private Share*	Not Consistent with Budget	Other Programs	Insufficient Documents	Duplicated Expenses		
<i>Personnel</i>									
Salaries	\$ 283,402.00	\$ 211,024.78		\$ 15,426.00	\$ 4,100.22	\$ -	\$ -	\$ 19,526.22	
Fringes (23%)	\$ 65,182.00	\$ 48,535.70		\$ 3,547.98	\$ 943.05	\$ -	\$ -	\$ 4,491.03	
<i>Total PS</i>	\$ 348,584.00	\$ 259,560.48		\$ 18,973.98	\$ 5,043.27	\$ -	\$ -	\$ 24,017.25	
<i>OTPS</i>									
Rent	\$ 49,270.00	\$ 49,270.00		\$ 37,621.94	\$ -	\$ -	\$ -	\$ 37,621.94	
Consultants	\$ -	\$ -		\$ -	\$ -	\$ -	\$ -	\$ -	
Misc OTPS	\$ 32,063.00	\$ 21,488.01		\$ 45,263.19	\$ 8,793.83	\$ 3,817.73	\$ -	\$ 57,874.75	
<i>Total OTPS</i>	\$ 81,333.00	\$ 70,758.01		\$ 82,885.13	\$ 8,793.83	\$ 3,817.73	\$ -	\$ 95,496.69	
<i>Total PS & OTPS</i>	\$ 429,917.00	\$ 330,318.49		\$ 101,859.11	\$ 13,837.10	\$ 3,817.73	\$ -	\$ 119,513.94	
Administration	\$ 40,000.00	\$ 40,000.00		\$ 4,040.00	\$ -	\$ -	\$ -	\$ 4,040.00	
Total	\$ 469,917.00	\$ 370,318.49	\$ -	\$ 105,899.11	\$ 13,837.10	\$ 3,817.73	\$ -	\$ 123,553.94	
95% of the Total Approved Budget		\$ 446,421.15							
ACS Paid		\$ 404,911.00							
Underpayment or (Overpayment)		\$ (34,592.51)							

Analysis of Program Cost for Family Rehabilitation Program - Queens (855)
For the Fiscal Year Ended June 30, 2002

Expenses	Allowable			Questionable Costs**					Total
	Approved Budget	Expenses per Audit	Private Share*	Not Consistent with Budget	Other Programs	Insufficient Documents	Duplicated Expenses		
<i>Personnel</i>									
Salaries	\$ 159,311.63	\$ 127,656.47		\$ 3,994.00	\$ 2,713.53	\$ -	\$ -	\$ 6,707.53	
Fringes (23.84%)	\$ 37,973.00	\$ 30,433.30		\$ 952.17	\$ 646.91	\$ -	\$ -	\$ 1,599.08	
Total PS	\$ 197,284.63	\$ 158,089.77		\$ 4,946.17	\$ 3,360.44	\$ -	\$ -	\$ 8,306.61	
<i>OTPS</i>									
Rent	\$ 23,325.26	\$ 19,518.83		\$ -	\$ (220.67)	\$ 4,361.28	\$ -	\$ 4,140.61	
Consultants	\$ 980.00	-		\$ -	\$ -	\$ -	\$ -	\$ -	
Misc OTPS	\$ 12,668.42	\$ 4,826.29		\$ 6,652.71	\$ (58.07)	\$ 4,866.15	\$ -	\$ 11,460.79	
Total OTPS	\$ 36,973.68	\$ 24,345.12		\$ 6,652.71	\$ (278.74)	\$ 9,227.43	\$ -	\$ 15,601.40	
Total PS & OTPS	\$ 234,258.31	\$ 182,434.89		\$ 11,598.88	\$ 3,081.70	\$ 9,227.43	\$ -	\$ 23,908.01	
Administration	\$ 22,293.68	\$ 5,388.00		\$ -	\$ -	\$ 16,905.68	\$ -	\$ 16,905.68	
Total	\$ 256,551.99	\$ 187,822.89	\$ -	\$ 11,598.88	\$ 3,081.70	\$ 26,133.11	\$ -	\$ 40,813.69	
95% of the Total Approved Budget	\$ 243,724.39								
ACS Paid	\$ 220,641.00								
Underpayment or (Overpayment)	\$ (32,818.11)								



ADMINISTRATION FOR CHILDREN'S SERVICES
FINANCIAL SERVICES
150 William Street - 10th Floor
New York, NY 10038

JOHN B. MATTINGLY
Commissioner

SUSAN NUCCIO
Deputy Commissioner

May 5, 2005

Mr. Greg Brooks
Deputy Comptroller
Policy, Audits, Accountancy & Contracts
The City of New York Office of the Comptroller
Executive Offices
1 Centre Street, Room 1100
New York, New York 10007-2341

Re: NYC Comptroller's Draft Report FM04-069A Audit Report on the
Compliance of New York Foundling Hospital, Inc With Its
Contracts With The Administration for Children's Services

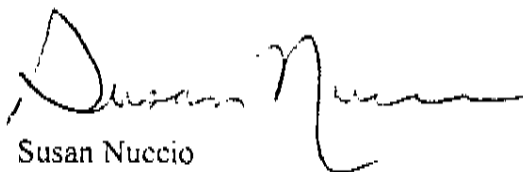
Dear Mr. Brooks:

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

Attached is our response to your recommendations and appropriate Audit Implementation Plans (AIPs). ACS looks forward to working with your office to improve the delivery of services to the children of the City of New York.

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

Sincerely,



Susan Nuccio

Attachments

City of New York Office of the Comptroller
New York City Administration for Children's Services
New York Foundling Hospital, Inc.
Audit Number FM04-069A

Administration for Children's Services
Response to Recommendations
May 5, 2005

In response to findings reported by the Office of the Comptroller in the Audit Report on the Compliance of New York Foundling, Inc. with Its Contract With the Administration for Children's Services, ACS Budget and Closeout did not approve any over the line expenses. The Program submits a budget, which is a proposal, at the start of the fiscal year. Sub-lines are estimated and are subject to adjustment as needed to address the actual expenditures incurred by the Program. ACS monitors the category not the sub-lines. Programs would have difficulty operating otherwise. The questioned costs categorized as "not consistent with budget", mainly, are of this nature.

It has been the practice of ACS to allow a post-audit budget modification to address those allowable expenses identified as part of the audit process which were not previously billed. ACS will establish a policy for Programs to submit final requests for modifications within 30 days from the date entered on the Closeout letter.

ACS approved seven budget modifications for Fiscal Year 2002.

RECOMMENDATION 1

The New York Foundling Hospital, Inc. agrees with this finding and will repay ACS \$43,231 for the improper reimbursements identified in the Comptroller's audit.

RECOMMENDATION 2

New York Foundling Hospital, Inc. adapted a centralized Accounts Payable system where invoices are processed and all files are maintained with corresponding copies of checks.

All expenditures are properly recorded in the General Ledger and verification, analysis and reconciliation are performed.

RECOMMENDATION 3

New York Foundling Hospital, Inc. will carefully review all charges and expenses to verify who made the request, who is the user, and where the charges should be billed.

Supplies purchased in quantity, to take advantage of the lower price, will be cost allocated to the proper program depending on their use of the supplies.

Utilities, rent of equipments, and all other shared expenses will be shared by all concerned programs based on a cost allocation methodology.

Program Directors were instructed to use a proper cost allocation methodology when coding their expenses. Whenever possible they are to request purchase orders individually for each program.

RECOMMENDATION 4

The New York Foundling Hospital, Inc. has not received any reimbursement from ACS that exceeded the approved program budgets.

New York Foundling Hospital, Inc. has to show to ACS the actual operational costs of each program at the end of the program year.

New York Foundling Hospital, Inc. is not expecting ACS reimbursement for expenses that exceeded the approved allowable program budget but have to show the actual program cost for possible increases in funding upon re-evaluation of the budget.

RECOMMENDATION 5

A letter dated 04/27/05 was sent to the Program's Executive Director advising that New York Foundling Hospital, Inc. is required to comply with the recommendations made in the New York City Comptroller's audit report.

RECOMMENDATION 6

ACS will require programs to submit final requests for budget modifications within 30 days from the date of the Closeout letter. ACS monitors program expenditures by category of expense

RECOMMENDATION 7

ACS will review each budget modification to ensure changes conform to the requirements of the contract and adhere to agency policies.

**ADMINISTRATION FOR CHILDREN'S SERVICES AUDIT IMPLEMENTATION PLAN
 NEW YORK CITY COMPTROLLER'S AUDIT REPORT ON THE COMPLIANCE OF NEW YORK FOUNDLING HOSPITAL, INC.
 WITH ITS CONTRACTS WITH THE ADMINISTRATION FOR CHILDREN'S SERVICES
 AUDIT NUMBER: FMD4-069A**

RECOMMENDATION # 1: New York Foundling should immediately repay ACS \$43,231 for the improper reimbursements identified in this report.

RESPONSIBLE MANAGER'S NAME: William Baccaglioni, Executive Director New York Foundling Hospital, Inc.

CORRECTIVE ACTIONS TO BE TAKEN	RESPONSIBLE PERSON	DATES		DOCUMENTATION	COMMENTS
		START	END		
The New York Foundling Hospital, Inc. agrees with this finding and will repay ACS \$43,231 for the improper reimbursements identified in the Comptroller's audit.	Thomas Caruso	05/05		Cancelled Check	

**ADMINISTRATION FOR CHILDREN'S SERVICES AUDIT IMPLEMENTATION PLAN
 NEW YORK CITY COMPTROLLER'S AUDIT REPORT ON THE COMPLIANCE OF NEW YORK FOUNDLING HOSPITAL, INC.
 WITH ITS CONTRACTS WITH THE ADMINISTRATION FOR CHILDREN'S SERVICES
 AUDIT NUMBER: FM04-069A**

RECOMMENDATION # 2: New York Foundling should properly maintain all documentation in program files to support program expenditures.

RESPONSIBLE MANAGER'S NAME: William Baccaglioni, Executive Director New York Foundling Hospital, Inc.

CORRECTIVE ACTIONS TO BE TAKEN	RESPONSIBLE PERSON	DATES START END	DOCUMENTATION	COMMENTS
<p>New York Foundling Hospital, Inc. adapted a centralized Accounts Payable system where invoices are process and all files are maintained with corresponding copies of checks.</p> <p>All expenditures are properly recorded in the General Ledger and verification, analysis and reconciliation are performed.</p>	<p>Accounts Payable Supervisor and Contract Accountant</p>	<p>07/04</p> <p>Continuing</p>	<p>Centralized Accounts Payable System and Files.</p>	

**ADMINISTRATION FOR CHILDREN'S SERVICES AUDIT IMPLEMENTATION PLAN
 NEW YORK CITY COMPTROLLER'S AUDIT REPORT ON THE COMPLIANCE OF NEW YORK FOUNDLING HOSPITAL, INC.
 WITH ITS CONTRACTS WITH THE ADMINISTRATION FOR CHILDREN'S SERVICES
 AUDIT NUMBER: FM04-069A**

RECOMMENDATION # 3: New York Foundling should charge expenses to the proper programs.

RESPONSIBLE MANAGER'S NAME: William Baccaglioni, Executive Director New York Foundling Hospital, Inc.

CORRECTIVE ACTIONS TO BE TAKEN	RESPONSIBLE PERSON	START	DATES END	DOCUMENTATION	COMMENTS
<p>New York Foundling Hospital, Inc. will carefully review all charges and expenses to verify who made the request, who is the user, and where the charges should be billed.</p> <p>Supplies purchased in quantity, to take advantage of the lower price, will be cost allocated to the proper program depending on their use of the supplies.</p> <p>Utilities, rent of equipments, and other shared expenses will be shared by all concern programs based on a cost allocation methodology.</p>	<p>Director of Purchasing Dept.</p>	<p>07/04</p>	<p>Continuing</p>	<p>Program Directors were instructed to use a proper cost allocation methodology when coding their expenses. Whenever possible they are to request purchase orders individually for each program.</p>	

**ADMINISTRATION FOR CHILDREN'S SERVICES AUDIT IMPLEMENTATION PLAN
 NEW YORK CITY COMPTROLLER'S AUDIT REPORT ON THE COMPLIANCE OF NEW YORK FOUNDLING HOSPITAL, INC.
 WITH ITS CONTRACTS WITH THE ADMINISTRATION FOR CHILDREN'S SERVICES
 AUDIT NUMBER: FM04-069A**

RECOMMENDATION # 4: New York Foundling should ensure that ACS is not charged for expenses that exceed approved program budgets.

RESPONSIBLE MANAGER'S NAME: William Baccaglioni, Executive Director New York Foundling Hospital, Inc.

CORRECTIVE ACTIONS TO BE TAKEN	RESPONSIBLE PERSON	DATES START END	DOCUMENTATION	COMMENTS
<p>The New York Foundling Hospital, Inc. has not received any reimbursement from ACS that exceeded the approved program budgets.</p> <p>New York Foundling Hospital, Inc. has to show to ACS the actual operational costs of each program at the end of the program year.</p> <p>New York Foundling Hospital, Inc. is not expecting ACS reimbursement for expenses that exceeded the approved allowable program budget but have to show the actual program cost for possible increase in funding upon re-evaluation of the budget.</p>	<p>Contract Accountant</p>	<p>Continuing</p>		

**ADMINISTRATION FOR CHILDREN'S SERVICES AUDIT IMPLEMENTATION PLAN
 NEW YORK CITY COMPTROLLER'S AUDIT REPORT ON THE COMPLIANCE OF NEW YORK FOUNDLING HOSPITAL, INC.
 WITH ITS CONTRACTS WITH THE ADMINISTRATION FOR CHILDREN'S SERVICES
 AUDIT NUMBER: FM04-069A**

RECOMMENDATION # 5: ACS should ensure that New York Foundling implements the reports recommendations.

RESPONSIBLE MANAGER'S NAME: Tom Welsh, Executive Director ACS Audit Services

CORRECTIVE ACTIONS TO BE TAKEN	RESPONSIBLE PERSON	DATES		DOCUMENTATION	COMMENTS
		START	END		
A letter dated 04/27/05 was sent to the Program's Executive Director advising that New York Foundling is required to comply with the recommendations made in the New York City Comptroller's audit report.	Tom Welsh, Executive Director Audit Services	04/27/05	Continuing	Letter dated 04/27/05.	

**ADMINISTRATION FOR CHILDREN'S SERVICES AUDIT IMPLEMENTATION PLAN
 NEW YORK CITY COMPTROLLER'S AUDIT REPORT ON THE COMPLIANCE OF NEW YORK FOUNDLING HOSPITAL, INC.
 WITH ITS CONTRACTS WITH THE ADMINISTRATION FOR CHILDREN'S SERVICES
 AUDIT NUMBER: FM04-069A**

RECOMMENDATION # 6: ACS should discontinue its practice of approving budget modifications after the close of the program year.

RESPONSIBLE MANAGER'S NAME: Judy Shernicoff, Assistant Commissioner ACS Budget Claiming and Revenue

CORRECTIVE ACTIONS TO BE TAKEN	RESPONSIBLE PERSON	DATES		DOCUMENTATION	COMMENTS
		START	END		
ACS will require programs to submit final requests for budget modifications within 30 days from the date of the Closeout letter. ACS monitors program expenditures by category of expense	Denise Borak	07/05	Continuing		

**ADMINISTRATION FOR CHILDREN'S SERVICES AUDIT IMPLEMENTATION PLAN
NEW YORK CITY COMPTROLLER'S AUDIT REPORT ON THE COMPLIANCE OF NEW YORK FOUNDLING HOSPITAL, INC.
WITH ITS CONTRACTS WITH THE ADMINISTRATION FOR CHILDREN'S SERVICES
AUDIT NUMBER: FM04-069A**

RECOMMENDATION # 7: ACS should carefully review each budget modification to ensure that changes conform to the requirements of the contracts.

RESPONSIBLE MANAGER'S NAME: Judy Shernicoff, Assistant Commissioner ACS Budget, Revenue, and Claiming

CORRECTIVE ACTIONS TO BE TAKEN	RESPONSIBLE PERSON	DATES		DOCUMENTATION	COMMENTS
		START	END		
ACS will review each budget modification to ensure changes conform to the requirements of the contract and adhere to agency policies.	Denise Borak	07/05	Continuing		