

AUDIT REPORT

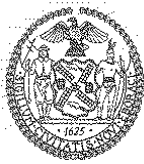


CITY OF NEW YORK
OFFICE OF THE COMPTROLLER
BUREAU OF FINANCIAL AUDIT
WILLIAM C. THOMPSON, JR., COMPTROLLER

Audit Report on the Days-of-Care and Expenses Reported by Lutheran Social Services of Metropolitan New York for Its Foster Care Programs July 1, 2000—June 30, 2001

FM03-146A

November 12, 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 City

Ladies and Gentlemen:

In accordance with the responsibilities of the Comptroller contained in Chapter 5, § 93, of the New York City Charter, we have examined the compliance of Lutheran Social Services of Metropolitan New York (Lutheran) with New York State standards of payment and City regulations to determine whether the final amount of funds due Lutheran was more or less than the amount it was advanced. Lutheran is a not-for-profit organization that provides services to children in its foster care programs under a contract 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 Lutheran and ACS, and their comments have been considered in preparing this report.

Audits such as this provide a means of ensuring that private concerns conducting business with the City comply with the terms of their agreements, properly reporting expenditures, and that they 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,

William C. Thompson Jr.

William C. Thompson, Jr.

**Report: FM03-146A
Filed: November 12, 2003**

Table of Contents

AUDIT REPORT IN BRIEF	1
INTRODUCTION	2
Background	2
Objective	3
Scope and Methodology	3
Discussion of Audit Results	4
FINDINGS	5
Lutheran Owes ACS \$897,737	5
ACS Paid Lutheran \$329,188 for	
Expenses Not Reimbursable by the State	6
Noncompliance with Certain New York State Regulations	6
Other Issues	7
RECOMMENDATIONS	7
APPENDIX I	Audited Costs for Regular Boarding Home Program
APPENDIX II	Audited Costs for AIDS Boarding Home Program
APPENDIX III	Audited Costs for Group Home Program
APPENDIX IV	Audited Costs for Mother/Child Group Home Program
ADDENDUM	Response of the Administration for Children's Services

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

**Audit Report on the Days-of-Care and
Expenses Reported by Lutheran Social Services of
Metropolitan New York for Its Foster Care Programs
July 1, 2000–June 30, 2001**

FM03-146A

AUDIT REPORT IN BRIEF

This audit determined whether the final amount of funds due Lutheran Social Services of Metropolitan New York (Lutheran) for Fiscal Year 2001 was more or less than the amount it was advanced, based on New York State standards of payment, City regulations, and days-of-care data. For Fiscal Year 2001—July 1, 2000, through June 30, 2001—the Administration for Children’s Services (ACS) reimbursed Lutheran \$10,459,340 for providing services to 720 individuals in its programs.

Audit Findings and Conclusions

Our review of Lutheran’s foster care program expenses and days-of-care provided indicated that Lutheran owes ACS \$897,737 because the advances it received from ACS exceeded the allowable program costs. Of this amount, ACS paid Lutheran \$329,188 for expenses for which the City will not receive reimbursement because the expenses were not in accordance with the New York State regulations.

Further, Lutheran did not comply with some of the promulgated announcements and regulations of the New York State *Program Manual for Standards of Payment for Foster Care of Children* and the City *Foster-Care Reimbursement Bulletin No.92-5*. Finally, Lutheran paid its foster parents at rates that were lower than the rates approved by the State.

Audit Recommendations

To address these issues, we recommend that Lutheran:

- Reimburse ACS \$897,737;
- Report program expenses in the appropriate cost centers;
- Capitalize items costing in excess of \$500 as required by New York State and ACS guidelines;
- 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; and
- Determine the amount by which each foster parent was underpaid for Fiscal Year 2001 and make the appropriate retroactive payments.

Additionally, we recommend that ACS:

- Recoup \$897,737 from Lutheran;
- Discontinue paying foster care providers for trial discharge days-of-care in excess of the seven consecutive days allowed by the New York State regulations; and
- Ensure that Lutheran complies with this report's recommendations. In that regard, ACS should issue a written notice to Lutheran requiring that it implement the report's recommendations.

INTRODUCTION

Background

Lutheran Social Services of Metropolitan New York (Lutheran) is a not-for-profit organization that under a contract with the Administration for Children's Services (ACS) provides services to children in its Regular Foster Boarding Home, AIDS Foster Boarding Home, Group Home, and a Mother-Child Group Home. ACS administers the funds allocated through this and other annual contracts with voluntary child care agencies and monitors those contracts.

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 ACS. In addition, these reimbursements are governed by the rules and regulations in the New York State Department of Social Services's *Program Manual for Standards of Payment for Foster Care of Children* and the City *Foster-Care Reimbursement Bulletin No.92-5* and applicable amendments. The City funds foster care agencies and is partially reimbursed by the federal and state governments.

From July 1, 2000, through June 30, 2001 (Fiscal Year 2001), ACS reimbursed Lutheran \$10,459,340 for providing services to 720 individuals in its programs—550 in its Regular Foster Boarding Home, 21 in its AIDS Foster Boarding Home, 124 in its Group Home, and 25 in its Mother-Child Group Home.

Objective

Our audit objective was to determine whether the final amount of funds due Lutheran for Fiscal Year 2001 was more or less than the amount it was advanced, based on the New York State *Program Manual for Standards of Payment for Foster Care of Children*, ACS regulations, and days-of-care data.

Scope and Methodology

To achieve our audit objective, we reviewed and abstracted the rules and regulations governing foster care reimbursements in the New York State *Program Manual for Standards of Payment for Foster Care of Children* and the City *Foster-Care Reimbursement Bulletin No.92-5* and applicable amendments. We evaluated Lutheran'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 Lutheran's organizational chart, conducted a walk-through of its operations, and documented the results through memoranda.

To determine whether the expenses Lutheran 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 trial balance and to the related accounts in its general ledger. We also determined whether the salaries charged to the foster care programs were actually for employees assigned to the foster care programs.

To determine whether Lutheran reported its days-of-care accurately, we obtained their monthly Days-of-Care Reports submitted to ACS and compared them to Lutheran's internal monthly Days-of-Care Certification Reports. For instances in which there were discrepancies between these reports, we obtained other records from the Child Care Review Service (CCRS) database and the case files to calculate the actual number of days-of-care provided and billable to the programs.¹ Specifically, we reviewed supporting documentation for 46 of the 550 children in the Regular Foster Boarding Home Program, 83 of the 124 children in the Group Home Program, 1 of the 21 children in the AIDS Foster Boarding Home Program, and all 25 children in the Mother-Child Group Home Program.

¹ CCRS is a State-maintained database that contains information about children who are in foster care. CCRS tracks various information such as foster child's placement and discharge dates, and legal activities.

In addition, we conducted tests of those children for whom no discrepancies were found on the Days of Care Reports. Specifically, we randomly selected 30 of the remaining 504 children in the Regular Foster Boarding Home Program and five of the remaining 41 children in the Group Home Program. For each sampled child, we compared the days-of-care reported to ACS to the information reported on CCRS to obtain reasonable assurance that days-of-care were properly reported to ACS.² We also determined whether Lutheran paid its foster parents at the correct rates.

We calculated the final operating rate for each program based on actual program expenses, the number of days-of-care actually provided, and the maximum rate established by the State. Finally, based on the final operating rate and the amounts advanced by ACS to Lutheran, we determined whether the final amount of funds due Lutheran for Fiscal Year 2001 was more or less than the amount it was advanced. (See Appendices I, II, III, and IV for our calculations of Lutheran's actual program expenses.)

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 Lutheran and ACS officials during and at the conclusion of this audit. A preliminary draft report was sent to Lutheran and ACS officials and discussed at an exit conference held on September 15, 2003. On October 2, 2003, we submitted a draft report to Lutheran and ACS officials with a request for comments. We received a response from ACS on October 23, 2003. ACS, responding on behalf of itself and Lutheran, described the steps that have been taken or will be taken to address the audit's findings and recommendations.

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

² Since we found only one discrepancy on the Days-of-Care Reports for the AIDS Foster Boarding Home Program, we did not expand our testing for this program.

FINDINGS

Our review indicated that Lutheran owes ACS \$897,737 because its advances from ACS exceeded the allowable program costs. Of this amount, ACS paid Lutheran \$329,188 for expenses for which the City will not receive reimbursement because the expenses were not in accordance with the New York State *Standards of Payment for Foster Care of Children*. We also found that Lutheran did not comply with some of the promulgated announcements and regulations of the New York State *Program Manual for Standards of Payment for Foster Care of Children* and the City *Foster-Care Reimbursement Bulletin No.92-5*, and paid its foster parents at rates that were lower than the rates approved by the State.

These issues are discussed in further detail in the following sections of this report.

Lutheran Owes ACS \$897,737

ACS advanced Lutheran \$10,459,340 for its Fiscal Year 2001 foster care program expenses. However, based on our audit tests of Lutheran's foster care program expenses and days-of-care provided, we determined that Lutheran's allowable expenses totaled \$9,561,603.10. Consequently, Lutheran has to repay ACS \$897,736.90, as shown in Table I, following.

Table I

Lutheran Social Services of Metropolitan New York
Summary Schedule of Total Amount Due ACS
July 1, 2000–June 30, 2001

Amount Advanced by ACS	\$ 10,459,340.00
Audited Program Costs	
Regular Boarding Home (Appendix I)	\$ 6,466,913.00
AIDS Boarding Home (Appendix II)	410,348.20
Group Home (Appendix III)	2,241,189.30
Mother/Child Group Home (Appendix IV)	443,152.60
Total Audited Program Costs	\$ 9,561,603.10
Excess Advance over Audited Costs	\$ 897,736.90

(See Appendices I, II, III, and IV for our detailed calculations of Lutheran's program expenses.)

ACS Paid Lutheran \$329,188 for Expenses Not Reimbursable by the State

Lutheran billed ACS for days in excess of the allowable seven consecutive days when a child is home on trial discharge, and ACS paid Lutheran for these days.³ According to the New York State *Program Manual for Standards of Payment for Foster Care of Children*, “Reimbursement of expenditures for care of a child in either direct or indirect care shall not include per diem costs of absences, except as follows: . . . home on trial—up to seven consecutive days.” Specifically, Lutheran was paid \$329,187.52 from ACS for trial discharge days that were not in accordance with State regulations, as follows:

- 7,718 Foster Boarding Home days at a per diem rate of \$21.41 for a total of \$165,242.38;
- 975 AIDS Foster Boarding Home days at a per diem rate of \$27.14 for a total of \$26,461.50; and
- 1,068 Group Home days at a per diem rate of \$128.73 for a total of \$137,483.64.

Lutheran officials contended that since they provided social services to individuals on trial discharge in excess of the seven consecutive days, they are entitled to be paid for the services provided during that time. However, State officials stated that the cost of providing social services to individuals on trial discharge is taken into account when determining a foster care program’s administrative rate. Consequently, ACS should not have paid Lutheran \$329,187.52 for trial discharge days in excess of seven days.

Noncompliance with Certain New York State Regulations

Lutheran did not comply with the New York State standards of payments when reporting its expenses and days-of-care. Specifically, Lutheran:

- Reported expenses for its Mother-Child Group Home and Mother-Child Group Residence as Mother-Child Group Home expenses instead of reporting the expenses separately. Based on State regulations, these expenses must be reported by program unit. Further, Lutheran did not capitalize expenses in excess of \$500 as required by State guidelines. For example, Lutheran expensed approximately \$87,369 in renovations and furniture purchases that should have been capitalized.
- Improperly reported its days-of-care to ACS and the State. Specifically, in certain months, Lutheran overstated the days-of-care provided and in other months it understated the days-of-care provided. However, the net of the overstated and

³ Individuals placed on trial discharge are discharged to their parent or guardian on a trial basis to determine whether the living conditions could become permanent.

understated days-of-care resulted in an overstatement of days-of-care. For example, Lutheran reported that its Group Home Program provided 20,868 days-of-care; however, we found that these days were overstated by a net 3,458 days-of-care. These overstated days-of-care would have cost the City \$445,148.

Other Issues

Foster Parents Not Paid at Correct Rates

Lutheran did not pay its foster parents the Cost of Living Adjustments (COLA) approved by the New York State Office of Children and Family Services for Fiscal Year 2001. Consequently, Lutheran underpaid its foster parents by \$0.27 to \$0.70 per day per child, depending on the age of the child and the level of care provided. Based on our calculations, Lutheran owes its foster parents approximately \$55,300.

RECOMMENDATIONS

Lutheran should:

1. Reimburse ACS \$897,737.

ACS Response: “Lutheran received assessment letter from ACS dated October 6, 2003. Lutheran is preparing an appeal to submit to ACS regarding care days not billed for the fiscal year.”

Auditor Comment: While Lutheran has a right to appeal the audit findings, ACS should not accept billings for additional care days for Fiscal Year 2001, since these days should have been billed by November 1, 2001. Chapter IV, Section B, of the New York State Department of Social Services’s *Program Manual for Standards of Payment for Foster Care of Children*, states that “authorized agencies . . . shall submit the required fiscal, programmatic and statistical reports and forms relating to the standards and cost of providing foster care . . . to the department prior to November 1st of each year.”

At the exit conference, Lutheran provided a list of 499 additional care days for the cases reviewed, which it claimed were not billed to ACS or were erroneously disallowed based on our audit. A preliminary review of the information revealed, however, that 121 of the days claimed were either already billed and paid for by ACS under a different program or were identified during the audit and accounted for in our analysis in arriving at the \$897,737 assessment.

Therefore, if ACS decides to ignore the provisions of Chapter IV, it should carefully review all documentation pertaining to additional days billed before making any payments. This review should confirm that the days of care claimed were actually

provided to eligible children and were not previously billed and paid for under another program.

2. Report program expenses in the appropriate cost centers.

ACS Response: “The chart of accounts reflects cost centers tied to specific contractual funding sources and captures expenses with correct cost centers; accounting staff has received account-coding instruction to ensure proper recording of expenses.”

3. Capitalize items costing in excess of \$500 as required by New York State and ACS guidelines.

ACS Response: “Lutheran will comply with this recommendation by reclassification of expenses related to the renovation as a capital expenditure.”

4. 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.

ACS Response: “Subsequent to the audit period, a process was installed containing 2 program staff signatures. A caseworker signs next to the line bearing a child’s name, and a supervisor’s signature is affixed to every page of each monthly certification report. This internal report precedes the census report to ACS, and is the basis upon which care days are reported. It is retained for audit purposes. Ongoing internal reviews to ensure compliance will continue on a random basis.”

5. Determine the amount by which each foster parent was underpaid for Fiscal Year 2001 and make the appropriate retroactive payments.

ACS Response: “Pass through amounts will be recomputed using accurate rate tables. Lutheran will remit funds to affected parties by check via US Mail, and in the event of a returned mailing envelope make at least one additional attempt to locate the recipient.”

Additionally, we recommend that ACS should:

6. Recoup \$897,737 from Lutheran.

ACS Response: “ACS sent assessment letter to Lutheran dated October 6, 2003 for the recovery of \$897,737.”

7. Discontinue paying foster care providers for trial discharge days-of-care in excess of the seven consecutive days allowed by the New York State regulations.

ACS Response: “ACS does not pay foster care providers for trial discharge days of care in excess of the seven consecutive days allowed by NYS regulations.”

8. Ensure that Lutheran complies with this report’s recommendations. In that regard, ACS should issue a written notice to Lutheran requiring that it implement the report’s recommendations.

ACS Response: “Written notice sent to Lutheran on October 6, 2003 requiring that Comptroller’s report recommendations be implemented.”

APPENDIX I

**LUTHERAN SOCIAL SERVICES OF METROPOLITAN NEW YORK
REGULAR FOSTER BOARDING HOME (FBH)
STATEMENT OF BASIS FOR THE PER DIEM RATE AS "AUDITED"
JULY 1, 2000, to JUNE 30, 2001**

	<u>TOTAL</u> <u>EXPENSES</u>	<u>ADMINISTRATIVE</u> <u>EXPENSES</u>	<u>PASS-THROUGH</u> <u>EXPENSES</u>
TOTAL REPORTED EXPENSES PER DSS-2652	\$ 7,499,122.00	\$ 4,234,260.00	\$ 3,264,862.00
LESS: AUDIT DISALLOWANCES	\$ -	\$ -	\$ -
TOTAL EXPENSES AS AUDITED	<u>\$ 7,499,122.00</u>	<u>\$ 4,234,260.00</u>	<u>\$ 3,264,862.00</u>
ACS DAYS OF CARE PER DSS-2651	150,953	150,953	150,953
LESS: DISALLOWED DAYS OF CARE	<u>1,429</u>	<u>1,429</u>	<u>1,429</u>
TOTAL AUDITED DAYS OF CARE	<u>149,524</u>	<u>149,524</u>	<u>149,524</u>
OPERATING PER DIEM RATE	<u>\$ 50.16</u>	<u>\$ 28.32</u>	<u>\$ 21.84</u>
MAXIMUM PER DIEM RATE		<u>\$ 21.41</u>	
FINAL PER DIEM RATE	<u>\$ 43.25</u>	<u>\$ 21.41</u>	<u>\$ 21.84</u>

FINAL RATE IS THE LOWER OF MAXIMUM OR OPERATING ADMINISTRATIVE RATE PLUS
PASS-THROUGH RATE

CALCULATION OF AMOUNT DUE

FINAL PER DIEM RATE AS AUDITED	\$ 43.25	\$ 21.41	\$ 21.84
AUDITED DAYS OF CARE	<u>149,524</u>	<u>149,524</u>	<u>149,524</u>
TOTAL AMOUNT DUE TO AGENCY FOR FBH	<u>\$ 6,466,913.00</u>	<u>\$ 3,201,308.84</u>	<u>\$ 3,265,604.16</u>
TOTAL AMOUNT DUE	<u>\$ 6,466,913.00</u>		

APPENDIX II

**LUTHERAN SOCIAL SERVICES OF METROPOLITAN NEW YORK
FOSTER BOARDING HOME (AIDS)
STATEMENT OF BASIS FOR THE PER DIEM RATE AS "AUDITED"
JULY 1, 2000, to JUNE 30, 2001**

	<u>TOTAL</u> <u>EXPENSES</u>	<u>ADMINISTRATIVE</u> <u>EXPENSES</u>	<u>PASS-THROUGH</u> <u>EXPENSES</u>
TOTAL REPORTED EXPENSES PER DSS-2652	\$ 476,242.00	\$ 212,997.00	\$ 263,245.00
LESS: AUDIT DISALLOWANCES	\$ -	\$ -	\$ -
TOTAL EXPENSES AS AUDITED	<u>\$ 476,242.00</u>	<u>\$ 212,997.00</u>	<u>\$ 263,245.00</u>
 ACS DAYS OF CARE PER DSS-2651	 5,456	 5,456	 5,456
LESS: DISALLOWED DAYS OF CARE	<u>36</u>	<u>36</u>	<u>36</u>
TOTAL AUDITED DAYS OF CARE	<u>5,420</u>	<u>5,420</u>	<u>5,420</u>
 OPERATING PER DIEM RATE	 <u>\$ 87.87</u>	 <u>\$ 39.30</u>	 <u>\$ 48.57</u>
MAXIMUM PER DIEM RATE	<u>\$ 27.14</u>	<u>\$ 27.14</u>	<u>\$ 27.14</u>
FINAL PER DIEM RATE	<u>\$ 75.71</u>	<u>\$ 27.14</u>	<u>\$ 48.57</u>

FINAL RATE IS THE LOWER OF MAXIMUM OR OPERATING ADMINISTRATIVE RATE PLUS
PASS-THROUGH RATE

CALCULATION OF AMOUNT DUE

FINAL PER DIEM RATE AS AUDITED	\$ 75.71	\$ 27.14	\$ 48.57
AUDITED DAYS OF CARE	<u>5,420</u>	<u>5,420</u>	<u>5,420</u>
TOTAL AMOUNT DUE TO AGENCY FOR FBH AIDS	<u>\$ 410,348.20</u>	<u>\$ 147,098.80</u>	<u>\$ 263,249.40</u>
TOTAL AMOUNT DUE	<u>\$ 410,348.20</u>		

**LUTHERAN SOCIAL SERVICES OF METROPOLITAN NEW YORK
GROUP HOMES
STATEMENT OF BASIS FOR THE PER DIEM RATE AS "AUDITED"
JULY 1, 2000, to JUNE 30, 2001**

TOTAL REPORTED EXPENSES PER DSS-2652	\$ 3,408,793.00
LESS: APPLIED INCOME AS PER DSS-2654	-
REPORTED ALLOWABLE EXPENDITURES	\$ 3,408,793.00
LESS: AUDIT DISALLOWANCES	-
TOTAL ALLOWABLE EXPENSES AS AUDITED	\$ 3,408,793.00

ACS DAYS OF CARE PER DSS-2651	20,868
LESS: DISALLOWED DAYS OF CARE	3,458
TOTAL AUDITED DAYS OF CARE	17,410

OPERATING PER DIEM RATE	\$ 195.80
MAXIMUM PER DIEM RATE	\$ 128.73
FINAL PER DIEM RATE	\$ 128.73

FINAL RATE IS THE LOWER OF MAXIMUM OR OPERATING RATE

CALCULATION OF AMOUNT DUE

FINAL PER DIEM RATE AS AUDITED	\$ 128.73
AUDITED DAYS OF CARE	17,410
TOTAL AMOUNT DUE TO AGENCY FOR GROUP HOMES	\$ 2,241,189.30
TOTAL AMOUNT DUE	\$ 2,241,189.30

APPENDIX IV

**LUTHERAN SOCIAL SERVICES OF METROPOLITAN NEW YORK
GROUP HOMES - MOTHER/CHILD
STATEMENT OF BASIS FOR THE PER DIEM RATE AS "AUDITED"
JULY 1, 2000, to JUNE 30, 2001**

TOTAL REPORTED EXPENSES PER DSS-2652	\$ 618,420.00
LESS: APPLIED INCOME AS PER DSS-2654	<u>-</u>
REPORTED ALLOWABLE EXPENDITURES	\$ 618,420.00
LESS: AUDIT DISALLOWANCES	<u>-</u>
TOTAL ALLOWABLE EXPENSES AS AUDITED	<u>\$ 618,420.00</u>

ACS DAYS OF CARE PER DSS-2651	3,149
LESS: DISALLOWED DAYS OF CARE	<u>361</u>
TOTAL AUDITED DAYS OF CARE	<u>2,788</u>

OPERATING PER DIEM RATE	\$ <u>221.81</u>
MAXIMUM PER DIEM RATE	\$ <u>158.95</u>
FINAL PER DIEM RATE	<u>\$ 158.95</u>

FINAL RATE IS THE LOWER OF MAXIMUM OR OPERATING RATE

CALCULATION OF AMOUNT DUE

FINAL PER DIEM RATE AS AUDITED	\$ 158.95
AUDITED DAYS OF CARE	<u>2,788</u>
TOTAL AMOUNT DUE TO AGENCY FOR MOTHER/CHILD	<u>\$ 443,152.60</u>
TOTAL AMOUNT DUE	<u>\$ 443,152.60</u>



Administration for Children's Services

150 William Street – 18th Floor
New York, New York 10038

William C. Bell
Commissioner

October 23, 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 FM03-146A
The Compliance of Lutheran Social Services of Metropolitan New York with Its
Child Care Agreement, 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 black ink, appearing to read "W. C. Bell", is written over the printed name.

William C. Bell

Attachments

City of New York Office of the Comptroller
New York City Administration for Children's Services
Lutheran Social Services of Metropolitan New York
Audit Number FM03-146A

Administration for Children's Services
Response to Recommendations
October 23, 2003

Recommendation 1

Lutheran received assessment letter from ACS dated October 6, 2003. Lutheran is preparing an appeal to submit to ACS regarding care days not billed for the fiscal year.

Recommendation 2

The chart of accounts reflects cost centers tied to specific contractual funding sources and captures expenses with correct cost centers; accounting staff has received account-coding instruction to ensure proper recording of expenses.

Recommendation 3

Lutheran will comply with this recommendation by reclassification of expenses related to the renovation as a capital expenditure.

Recommendation 4

Subsequent to the audit period, a process was installed containing 2 program staff signatures. A caseworker signs next to the line bearing a child's name, and a supervisor's signature is affixed to every page of each monthly certification report. This internal report precedes the census report to ACS, and is the basis upon which care days are reported. It is retained for audit purposes. Ongoing internal reviews to ensure compliance will continue on a random basis.

Recommendation 5

Pass through amounts will be recomputed using accurate rate tables. Lutheran will remit funds to affected parties by check via US Mail, and in the event of a returned mailing envelope make at least one additional attempt to locate the recipient.

Recommendation 6

ACS sent assessment letter to Lutheran dated October 6, 2003 for the recovery of \$897,737.

Recommendation 7

ACS does not pay foster care providers for trial discharge days of care in excess of the seven consecutive days allowed by NYS regulations.

Recommendation 8

Written notice sent to Lutheran on October 6, 2003 requiring that Comptroller's report recommendations be implemented.

AUDIT IMPLEMENTATION PLAN
NEW YORK CITY COMPTROLLER'S AUDIT NUMBER FM03-146A
AUDIT REPORT ON THE DAYS-OF-CARE AND EXPENSES REPORTED BY LUTHERAN SOCIAL SERVICES OF
METROPOLITAN NEW YORK FOR ITS FOSTER CARE PROGRAMS
JULY 1, 2000 – JUNE 30, 2001

RECOMMENDATION #1: Lutheran should reimburse ACS \$897,737.

RESPONSIBLE MANAGER'S NAME: Paul H. Crumb, Chief Financial Officer Lutheran Social Services

CORRECTIVE ACTIONS TO BE TAKEN	RESPONSIBLE PERSON	DATES		DOCUMENTATION	COMMENTS
		START	END		
LSS received assessment letter from ACS dated October 6, 2003. LSS is preparing an appeal to submit to ACS regarding care days not billed for fiscal year.	Paul H. Crumb	October 6, 2003	November 6, 2003		

NEW YORK CITY COMPTROLLER'S AUDIT NUMBER FM03-146A
AUDIT REPORT ON THE DAYS-OF-CARE AND EXPENSES REPORTED BY LUTHERAN SOCIAL SERVICES OF
METROPOLITAN NEW YORK FOR ITS FOSTER CARE PROGRAMS
JULY 1, 2000 – JUNE 30, 2001

RECOMMENDATION #2: Lutheran should report program expenses in the appropriate cost centers.

RESPONSIBLE MANAGER'S NAME: Paul H. Crumb, Chief Financial Officer Lutheran Social Services

CORRECTIVE ACTIONS TO BE TAKEN	RESPONSIBLE PERSON	DATES START END	DOCUMENTATION	COMMENTS
<p>LSS will comply with this recommendation.</p> <p>The chart of accounts reflects cost centers tied to specific contractual funding sources and captures expenses with correct cost centers; accounting staff has received account-coding instruction to ensure proper recording of expenses.</p>	<p>Internal Auditor Robert Lamorte</p>	<p>February 2003</p> <p>Completed</p>	<p>Chart of Accounts</p>	

AUDIT IMPLEMENTATION PLAN
NEW YORK CITY COMPTROLLER'S AUDIT NUMBER FM03-146A
AUDIT REPORT ON THE DAYS-OF-CARE AND EXPENSES REPORTED BY LUTHERAN SOCIAL SERVICES OF
METROPOLITAN NEW YORK FOR ITS FOSTER CARE PROGRAMS
JULY 1, 2000 – JUNE 30, 2001

RECOMMENDATION #3: Lutheran should capitalize items costing in excess of \$500 as required by New York State and ACS guidelines.

RESPONSIBLE MANAGER'S NAME: Paul H. Crumb, Chief Financial Officer Lutheran Social Services

CORRECTIVE ACTIONS TO BE TAKEN	RESPONSIBLE PERSON	DATES START END	DOCUMENTATION	COMMENTS
<p>This recommendation pertains to a leasehold improvement for a Mother & Child Group Home/Residence in the amount of \$87K.</p> <p>LSS will comply with this recommendation by reclassification of expenses related to the renovation as a capital expenditure.</p>	Accounting Analyst Carolyn Clarke	<p>Nov. 15, 2003</p> <p>Dec. 31, 2003</p>	Depreciation schedule [with entries for FY 01 – FY 03]	

AUDIT IMPLEMENTATION PLAN
NEW YORK CITY COMPTROLLER'S AUDIT NUMBER FM03-146A
AUDIT REPORT ON THE DAYS-OF-CARE AND EXPENSES REPORTED BY LUTHERAN SOCIAL SERVICES OF
METROPOLITAN NEW YORK FOR ITS FOSTER CARE PROGRAMS
JULY 1, 2000 – JUNE 30, 2001

RECOMMENDATION #4 Lutheran should report its day-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.

RESPONSIBLE MANAGER'S NAME: Paul H. Crumb, Chief Financial Officer Lutheran Social Services

CORRECTIVE ACTIONS TO BE TAKEN	RESPONSIBLE PERSON	DATES		DOCUMENTATION	COMMENTS
		START	END		
<p>LSS will comply with this recommendation.</p> <p>Subsequent to the audit period, a process was installed (that in fact Comptroller's Audit Staff noted) containing 2 program staff signatures. A caseworker signs next to the line bearing a child's name, and a supervisor's signature is affixed to every page of each monthly certification report. This internal report precedes the census report to ACS, and is the basis upon which care days are reported. It is retained for audit purposes.</p> <p>Ongoing internal reviews to ensure compliance will continue on a random basis.</p>	Accounting Analyst Ligaya Sabater	February 2003	Complete	Monthly certification report detail	

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RECOMMENDATION #5 Lutheran should determine the amount by which each foster parent was underpaid for Fiscal Year 2001 and make the appropriate retroactive payments.

RESPONSIBLE MANAGER'S NAME: Paul H. Crumb, Chief Financial Officer Lutheran Social Services

CORRECTIVE ACTIONS TO BE TAKEN	RESPONSIBLE PERSON	DATES		DOCUMENTATION	COMMENTS
		START	END		
LSS will comply with this recommendation and advance retroactive funds to appropriate parties. Pass through amounts will be recomputed using accurate rate tables. LSS will remit funds to affected parties by check via US Mail, and in the event of a returned mailing envelope make at least one additional attempt to locate the recipient.	Accounting Analyst Ligaya Sabater	Nov. 1, 2003	April 30, 2004	Computation spreadsheet, check ledger and cancelled checks	

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RECOMMENDATION #6 ACS should recoup \$897,737 from Lutheran.

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

CORRECTIVE ACTIONS TO BE TAKEN	RESPONSIBLE PERSON	DATES		DOCUMENTATION	COMMENTS
		START	END		
ACS sent assessment letter to LSS dated October 6, 2003 for the recovery of \$897,737.	Tom Welsh	Nov. 11, 2003	Set by recovery terms		

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RECOMMENDATION #7 ACS should discontinue paying foster care providers for trial discharge days-of-care in excess of the seven consecutive days allowed by the New York State regulations.

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

CORRECTIVE ACTIONS TO BE TAKEN	RESPONSIBLE PERSON	DATES		DOCUMENTATION	COMMENTS
		START	END		
ACS does not pay foster care providers for trial discharge days of care in excess of the seven consecutive days allowed by NYS regulations.	Susan Nuccio	May 27, 2003	Ongoing	S. Nuccio letter to LSS dated May 27, 2003	

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RECOMMENDATION #8 ACS should ensure that Lutheran complies with this report's recommendations. In that regard, ACS should issue a written notice to Lutheran requiring that it implement the report's recommendations.

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

CORRECTIVE ACTIONS TO BE TAKEN	RESPONSIBLE PERSON	DATES		DOCUMENTATION	COMMENTS
		START	END		
Written notice sent to LSS on October 6, 2003 requiring that Comptroller's report recommendations be implemented.	Tom Welsh	October 6, 2003	Ongoing	Letter from T. Welsh dated October 6, 2003	