

AUDIT REPORT

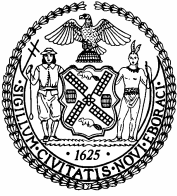


CITY OF NEW YORK
OFFICE OF THE COMPTROLLER
BUREAU OF MANAGEMENT AUDIT
WILLIAM C. THOMPSON, JR., COMPTROLLER

Audit Report on the Compliance of Concord Family Services with Foster And Child Care Payment Regulations

MD05-133A

June 30, 2006



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 contained in Chapter 5, §93, of the New York City Charter, my office has audited Concord Family Services, Inc., (CFS) to determine whether CFS appropriately managed the revenues received through its contracts with the Administration for Children's Services (ACS) and complied with the provisions of these contracts.

CFS is a not-for-profit corporation under contract with ACS to operate a foster home program and render foster care services, such as life-skills training and post-adoption services, to children in the community. We audit contracts such as these to ensure that entities with City contracts comply with the terms of their agreements.

The results of our audit, which are presented in this report, have been discussed with CFS and ACS officials, and their comments have been considered in preparing this report. Their complete written response is attached to this report.

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

Very truly yours,

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

William C. Thompson, Jr.

WCT/ec

Report: MD05-133A
Filed: June 30, 2006

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

**Audit Report on the Compliance of the
Concord Family Services with
Foster and Child Care Payment Regulations**

MD05-133A

AUDIT REPORT IN BRIEF

This audit determined whether Concord Family Services, Inc., (CFS) appropriately managed the revenues received through its contract with the Administration for Children's Services (ACS) and complied with the provisions of its contracts with ACS. CFS is a not-for-profit corporation under contract with ACS since 1990 to operate a foster home program and render foster care services, such as life-skills training and post-adoption services, to children in the community. CFS currently operates in three community board areas in Brooklyn—Brownsville, East New York, and Bedford-Stuyvesant.

CFS has two contracts with ACS to provide foster care services to children under the Foster Boarding Home Program (FBH) and the Supervised Independent Living Program (SILP). FBH handles foster care placements for children who are removed by ACS from their primary families. After placement, CFS monitors the children and provides support services while they are in foster care. SILP provides services to children from ages 18 to 21 years living independently of adult supervision. CFS provides housing, financial services, support services, and various life-skills workshops to the children. During Fiscal Year 2004, ACS paid \$6,618,747¹ to CFS for providing services to 457 children in its programs—430 in the FBH program and 27 in the SILP.

Audit Findings and Conclusions

Our audit revealed that in Fiscal Year 2004, CFS appropriately managed the revenues of \$6.6 million it received through its contracts with ACS. In general, expenditures were appropriate and adequately supported. However, we found that CFS was not efficiently spending certain funds and lacked some supporting documentation for its expenditures. These issues were not material enough to detract from our overall conclusion. Nevertheless, CFS was not in compliance with certain provisions of its contracts with ACS, which called into question whether foster children in CFS's care were receiving adequate services.

¹This amount includes payments made for Foster Boarding Home, Independent Living, Supervised Independent Living Program, special payments, and a cost-of-living adjustment for Fiscal Year 2004.

Specifically, we found the following weaknesses in CFS's operations: the lack of files and of supporting documentation; the expenditure of excessive amounts on clothing; the lack of accountability over the purchase and distribution of children's clothing; insufficient oversight of CFS by its Board of Directors; and operating with a deficit in each of the last four fiscal years. As the services provided by CFS directly impact the quality of life of children in foster care, it is extremely important that these issues be addressed immediately.

Audit Recommendations

To address these issues, we recommend, among other things, that CFS:

- Ensure that all case files and related documentation pertaining to foster children are adequately maintained and available for review upon request by authorized personnel.
- Use program funds more efficiently by purchasing clothing from reasonably priced stores.
- Ensure that the CFS Board of Directors is provided with the necessary information to effectively manage CFS operations.
- Enhance its Board of Directors' oversight regarding financial operations.

We also recommend, among other things, that ACS:

- Establish an authorization process that documents the review and approval of all special and non-routine payments to foster care agencies.
- Ensure that financial audits are conducted at CFS on a timely basis.

ACS Response

ACS officials generally agreed with the audit's recommendations.

INTRODUCTION

Background

The Administration for Children's Services contracts with voluntary child-care agencies to provide services for children in foster care. Concord Family Services, Inc., is a not-for-profit corporation under contract with ACS since 1990 to operate a foster home program and render foster care services, such as life-skills training and post-adoption services to children in the community. CFS currently operates in three community board areas in Brooklyn—Brownsville, East New York, and Bedford-Stuyvesant.

CFS has two contracts with ACS to provide foster care services to children under the following programs:

- **Foster Boarding Home Program (FBH).** This is a three-year contract not to exceed \$21.3 million. This program handles foster care placements for children who are removed by ACS from their primary families. ACS informs CFS of a possible foster care placement for the child. CFS confirms the foster care opening and handles the actual placement. After placement, CFS monitors the children and provides support services while they are in foster care.

As part of the FBH contract, the **Independent Living (IL)** program provides workshops to foster children who are at least 12 years of age. The workshops offer a range of training classes, including life skills (i.e., how to brush your teeth, maintain hygiene, etc.), jobs skills, and family planning.

- **Supervised Independent Living Program (SILP).** This is a three-year contract not to exceed \$2.8 million for services to children from ages 18 to 21 years living independently of adult supervision. CFS rents eight Section 8 apartments for these children. These apartments are subsidized by the New York City Housing Authority and ACS. CFS also provides financial services, support services, and various life-skills workshops to the children.

Under the payment system that was in effect until January 1, 2004, CFS sent Agency Care Day Certification Forms to ACS every month reporting the numbers of foster children and the days-of-care the foster children were under CFS supervision for that month. Based on the information for the prior month, ACS paid CFS for the following month. For example, ACS used the information on the Care Day Certification Form for January to pay CFS in February for the month of March. The payment amount was calculated by multiplying the total days-of-care reported by CFS by a per-diem rate. This per-diem rate consists of two parts—an administrative rate and a pass-through rate that is paid to foster parents. Prior to January 1, 2004, this administrative rate was calculated according to a formula developed by the New York State Office of Children and Family Services (OCFS). OCFS collected data of all the administrative expenses reported by CFS during the previous fiscal year. It performed a trend analysis of the data, made adjustments for inflation, and determined the Maximum State Aid Rate (MSAR). The per-diem administrative rate for

children was limited to the MSAR established by OCFS. ACS agreed to reimburse the foster care agencies using the MSARs, provided the City budget could support these rates. In the event that funds were not available, ACS reserved the right to pay a percentage of the MSAR.

As of January 1, 2004, the basis for determining the per-diem administrative rate has been changed from the historical expense-based rate to a new performance-based rate payment system. The new per-diem administrative rate is based upon the foster agency's score on a comprehensive evaluation system review called Evaluation and Quality Improvement Protocol (EQUIP), plus each program's score on the Neighborhood-Based Services and Permanency (adoption and reunification) measures of EQUIP. This evaluation is intended to determine the effectiveness and quality of services provided to children and their families.

Prior to July 2005, in addition to the administrative expenses, foster care providers were paid a pass-through rate by ACS for each child to be paid to foster parents in the FBH program. The pass-through rate was a composite rate determined by ACS by collecting data on the number of normal, special, and exceptional children under CFS's care during previous year. In turn, CFS paid the foster parents at a rate also determined by ACS that was dependent on the age of the foster child and the degree of difficulty in taking care of the child. The rate paid to foster parents could have been more or less than the pass-through rate paid to CFS by ACS. Since July 2005, ACS has paid for each child individually, based upon the eligibility rate for each child as determined by their age and needs.

The current CFS contracts cover the periods of March 2003 through February 2006, and July 2003 through June 2006, for FBH and SILP, respectively. During Fiscal Year 2004, ACS paid \$6,618,747² to CFS for providing services to 457 children in its programs—430 in the FBH program and 27 in the SILP.

Objectives

The audit's objectives were to determine whether Concord Family Services:

- 1) Appropriately managed the revenues received through its contract with ACS and
- 2) Complied with the provisions of its contracts with ACS.

Scope and Methodology

This audit covered Fiscal Year 2004.

²This amount includes payments made for Foster Boarding Home, Independent Living, Supervised Independent Living Program, special payments, and a cost-of-living adjustment for Fiscal Year 2004.

To achieve the audit objectives, we reviewed the rules and regulations governing foster care reimbursements in the New York State Standards of Payments for Foster Care of Children and the City Foster-Care Reimbursement Bulletin No. 92-5 and applicable amendments.

To obtain an understanding of CFS's operations, we:

- reviewed the CFS employee manual and organizational chart;
- interviewed the Executive Director and Fiscal Director, and conducted walkthroughs of CFS's operations;
- reviewed CFS's Fiscal Year 2004 certified financial statements and the accompanying management letter; and
- examined the Board's bylaws and meeting minutes covering July 1, 2003, through December 31, 2005, to determine the degree of CFS's Board of Directors responsibility and the extent of the Board members involvement with CFS operations.

To obtain an understanding of the monitoring of CFS, we interviewed ACS's Executive Director of Audits, the Assistant Commissioner of Payments, and officials from the Agency Program Assistance Unit and the Budgeting Unit. In addition, we reviewed the following documents that discussed concerns with CFS's financial practices:

- the 2004 ACS audit report on CFS's financial operations in Fiscal Year 1996;
- a financial review report on CFS operations prepared by the Paragon Management Group that was ordered and paid for by ACS; and
- an April 10, 1997 memorandum to ACS issued by the New York City Department of Investigation regarding its investigation of CFS.

To determine whether all funding advances from ACS were correctly reported in CFS's books and records, each revenue amount included in the ACS Payment History Sheet was matched to the CFS Statement of Receipts. In addition, the amounts on the monthly ACS Notice of Payment records were traced to corresponding deposits noted on CFS's bank statements.

To determine whether the expenses charged to CFS's foster care programs were reasonable and appropriate, we selected the five highest budgeted expense line items from the FBH, SILP, and IL programs. During Fiscal Year 2004, CFS reported \$5,152,440, \$487,344 and \$324,678 as expenses for its FBH, SILP, and IL programs respectively. The highest dollar value expenses for each program were as follows:

- **FBH program.** Payroll expenses (consisting of three separate line item payments—administrative employee salaries, social worker salaries, and salaries for employees responsible for intake/home finding), clothing expenses, and special payments for foster children.
- **SILP program.** Payroll expenses; stipends paid to foster children for food, clothing and household supplies; and rent for the SILP apartments.
- **IL program.** Payroll expenses, Education Training Voucher (ETV) program expenses, stipends paid to foster children for workshop enrollment, clothing for foster children, and depreciation for machines and equipment.

CFS's payroll expenses for administrative employees, social workers and employees responsible for intake/home finding of the FBH program, and the salaries for SILP and IL employees totaled \$1,502,638 for Fiscal Year 2004. To verify the payroll expenses of the above-mentioned line items (in FBH, SILP and IL programs), the ADP payroll report for the randomly selected month of June 2004, which had payroll expenses totaling \$173,389, was reviewed. We also conducted a payroll observation at the agency site on November 16, 2005, to verify the existence of the 71 employees reported by CFS as being employed during Fiscal Year 2004. For those employees who did not pick up their check or pay stub on the day of our observation, we visited their workstation to verify their employment at CFS. The personnel files of employees who are no longer employed at CFS were reviewed to ensure that they were bona fide employees during the audit period.

CFS's expenses for special payments in the FBH program were \$152,551 during Fiscal Year 2004; expenses for food, clothing and household stipends in SILP totaled \$42,630, \$50,746 and \$23,570 respectively during Fiscal Year 2004; expenses for rent in SILP were \$100,263 and expenses for clothing in the IL program were \$26,820 for the year. For the above-mentioned line items, we reviewed the disbursements for the randomly selected months of April 2004 through June 2004 to determine whether each disbursement had supporting documentation, such as invoices, receipts, and canceled checks. The dollar value of our sampled items consist of special payments totaling \$52,311 (34% of the \$152,511); food, clothing and household stipend expenses totaling \$11,086 (26% of the \$42,630), \$15,849 (31% of the \$50,746) and \$5,835 (25% of the \$23,570), respectively; rent expenses for SILP apartments totaling \$28,535 (28% of \$100,263) and a total of \$7,547 (28% of the \$26,820) in clothing expenses for the IL program.

To determine whether the Education Training Voucher (ETV) disbursements of the IL program were correctly processed, we reviewed all ETV payments totaling \$33,700 made to the foster children during Fiscal Year 2004 to determine whether each disbursement had supporting documentation, such as receipts and canceled checks.

To determine whether the stipend payments for the workshop enrollment under the IL program were made to the foster children, all payments, which totaled \$16,188 during Fiscal Year 2004, were reviewed. We also verified the attendance records for all of the workshops and ensured that the children signed for the receipt of the money.

To verify the accuracy of the depreciation expense of the machine and equipment, we reviewed the IL program depreciation expense account for Fiscal Year 2004 totaling \$42,576 in reported depreciation. We also conducted a physical inventory of the machines and equipment to verify the existence of the machines and equipment.

To determine whether CFS reported its days-of-care accurately, we randomly selected 46 children (10%) of the total population of 457 children served by CFS during Fiscal Year 2004 and reviewed their case files for documents such as home visit notes and foster children contact reports that indicated services were rendered for the time periods that the children were reportedly in CFS's care.

To determine whether the children reported by CFS on the Agency Care Day Certification Form were authorized to receive services, we performed a database match between the Children Identification Numbers (CIN) reported by CFS and an ACS payment reconciliation for Fiscal Year 2004, which lists those children authorized by ACS to receive foster care services.

To determine whether the CFS payments made to foster parents for the clothing allowance and for the care of the 46 children in our sample were in accordance with ACS-approved rates, we traced the amounts on the Monthly Payment Schedule to the amounts identified on CFS's monthly Board Parent Check Register, the canceled checks, and the electronic transfer statements for the selected children for the period of April 2004 through June 2004.

To determine whether children who received special or exceptional rates were appropriately authorized, we randomly selected 35 (50%) of the 70 children who were shown as being paid for at special/exceptional rates during Fiscal Year 2004. We reviewed the special/exceptional rate authorization forms in the children's case files and determined whether the amounts shown as paid to the foster parents were based on the correct rate.

We determined whether CFS contracts were registered with the New York City Comptroller's Office, as required by Chapter 13, §328, of the New York City Charter.

Although the results of the above-mentioned tests regarding days-of-care and CFS expenditures were not projected to all reported days-of-care and CFS expenditures for the audit period, they provide a reasonable basis to assess the compliance of CFS with relevant New York State and ACS regulations.

Our audit was conducted in accordance with generally accepted government auditing standards (GAGAS) and included tests of the records and other 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 CFS and ACS officials during and at the conclusion of this audit. A preliminary draft report was sent to CFS and ACS officials and discussed at an exit conference held on May 15, 2006. On June 2, 2006, we submitted a draft report to CFS and ACS officials with a request for comments. We received a written response from ACS officials on June 19, 2006.

In their response, ACS officials generally agreed the audit's recommendations.

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

FINDINGS AND RECOMMENDATIONS

Our audit revealed that in Fiscal Year 2004, CFS appropriately managed the revenues of \$6.6 million it received through its contracts with ACS. In general, expenditures were appropriate and adequately supported. However, we found that CFS was not efficiently spending certain funds and lacked some supporting documentation for certain expenditures. These issues were not material enough to detract from our overall conclusion. Nevertheless, CFS was not in compliance with certain provisions of its contracts with ACS. Specifically:

- CFS lacked files for some sampled cases and key documents for many of the sampled cases.
- There was inadequate supporting documentation to substantiate \$1,594 in CFS program expenditures.
- The CFS Executive Director spent excessive amounts on clothing.
- CFS lacked accountability over the purchasing and distribution of clothing for children in its programs.
- There was insufficient oversight of CFS by the Board of Directors and ACS.
- CFS has operated with a deficit in each of the last four fiscal years.
- ACS paid CFS funds in excess of its Fiscal Year 2004 reported days-of-care.
- ACS financial audits were not performed in a timely manner.

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

Inadequate Case File Documentation

CFS could not provide the original files for 4 of the 46 children in our sample. In addition, of the 42 remaining case files, 30 (71%) did not have all of the required home visit notes or foster children contact reports, and 18 (43%) did not have Uniform Case Record (UCR) reports. The inadequate documentation raises serious questions about whether important services were actually provided to the children.

According to Article V, §F.1, of the ACS contract with CFS, “The Contractor shall maintain adequate case files (including the child’s medical records) and fiscal records, and shall ensure that staff follow appropriate record keeping practices and procedures.” Further, as stipulated in Article 4.7, “The Contractor agrees to retain all books, records, and other

documents relevant to this Agreement for seven (7) years after the final payment or termination of this Agreement, whichever is later.”

Also, as stated in Article III, §G.3, of the ACS contract, “The Contractor shall adhere to the requirements and timeframes set forth in Schedule B.” Schedule B denotes the timeframe for activities that is to be followed by foster care agencies and includes the UCR requirement.

According to information received from ACS, the four children whose files were not available were authorized to receive services from CFS; however, they had been discharged during Fiscal Years 2004 and 2005. The CFS Executive Director stated that since these children’s cases were closed, the files were put into storage. However, the CFS Director of Social Services could not locate and retrieve the original files from storage. Without these files, we were unable to determine whether the reported days-of-care costs of \$20,294 paid for these children were calculated accurately or whether services were appropriately provided to them while they were under CFS’s care.

In addition, 30 sampled case files lacked home visit notes—18 case files lacked home visit notes for one to six months, and 12 case files lacked home visit notes for periods of more than six months. Home visit notes document the caseworker’s direct contact with a foster child and show that the child was in foster care under CFS supervision.

In addition, 18 of the sampled case files lacked UCRs. A UCR is a six-month plan for services to be provided to the foster children. A UCR is generated by CFS based upon a Service Plan Review conference including representatives from CFS and ACS, the foster parent, the foster child (if the child is over 8 years of age), and any party interested in the foster child’s case (e.g., attorneys, doctors involved in the child’s case, the foster child’s grandparents). Once generated, the UCR is sent to ACS for its review and approval of the recommended services.

For the above-cited 18 case files, 3 did not have either of the two required UCRs for Fiscal Year 2004 and 15 lacked at least one UCR for Fiscal Year 2004. Without UCR plans, we could not determine whether CFS was tracking the children’s progress and ensuring that the proper services, as approved by ACS, were being provided to the children.

At the exit conference, the CFS Executive Director informed us that home visit notes were missing because several caseworkers left employment and failed to complete them prior to their departure. As a result, CFS officials recently put into place a new procedure that retains employees’ checks until all required documentation is completed and placed into children’s case files. In addition, CFS recently hired a Quality Assurance person to ensure that all foster care units are following procedures and that all required documentation is completed by the caseworkers in a timely manner. The Quality Assurance employee provided us with copies of tracking sheets that will be used to accomplish this task.

CFS also provided us with the following documentation at the exit conference:

- Documents, such as intake forms and child movement forms, relating to the four children whose files were missing.

According to the CFS Fiscal Director, the information contained in these copied documents would provide sufficient evidence to support the existence of the children and the \$20,294 in payments. However, we were not questioning the existence of the children, but rather the proper maintenance of documentation in the children's case files. Without the original case files, we could not determine whether the total days-of-care were calculated accurately for these four children or whether services were appropriately provided to them while they were under CFS's care. Proper procedures should have been put into place by CFS to ensure that the children's case files were properly maintained. These four case files should have been easily retrieved and available for our review, especially since the children's case files had been closed recently, during Fiscal Years 2004 and 2005.

- Copies of 39 home-visit notes relating to 14 of the 30 case files that we reported as lacking these notes.

These home-visit notes provided some but not all of the lacking notes for each of these 14 case files. Therefore, all of the 30 case files cited in this report still lack some of the required home-visit notes.

- Copies of 27 UCRs retrieved from ACS files together with corresponding delivery receipts indicating that the UCRs were submitted by CFS.

According to the Quality Assurance employee, although the UCRs were not found in CFS's case files, the UCRs retrieved from ACS files provide evidence that the UCR originated at CFS because of the attached delivery receipts. Nevertheless, CFS should have ensured that the UCRs were adequately maintained in its children's case files.

Moreover, our review of the 27 UCRs revealed that only 12 were related to the 21 UCRs that we cited as missing. Of these 12 UCRs, only 2 UCRs had the required signatures of the case planner and supervisor and an attached ACS approval sheet (Form 853C). For the remaining 10 UCRs, 4 did not have the required signatures and another 8 did not have the attached ACS approval sheet. According to the ACS Assistant Commissioner for Family Permanency Services, without the required signatures and the attached ACS approval form, the UCR is not considered a final document. As a result, we cannot be certain that final UCRs existed for these 10 UCRs.

Recommendations

CFS officials should:

1. Review the case files that are cited in this report as having no documentation that certain provisions—such as documentation of home visits and the development of the UCRs—were met; see that those provisions are performed and that the appropriate documentation is placed in the case files.

ACS Response: “All missing UCR’s have been placed in the case records. Any case notes which may not have been prepared contemporaneously cannot be created retroactively. Going forward, CFS will review and quality assure its case records. If documentation (i.e. UCRs, W853c approvals) is found to be missing, CFS will contact ACS (OCM) Unit 90M and request copies of these documents to augment its files.”

2. Ensure that all case files and related documentation pertaining to foster children are adequately maintained and available for review upon request by authorized personnel.
3. Ensure that caseworkers document the home visits of the foster children and maintain these records in the children’s case files.

ACS Response to Recommendations #2 and #3: “As of 10/2005, CFS has hired a Quality Assurance Director whose job will be to ensure the integrity of all case files. She has established a tracking system for all of the key documents in the file and will report to management regularly on the completeness and correctness of all such documentation. She will train casework staff, when necessary in the proper preparation of such documents. . . . In addition, CFS will establish a centralized record maintenance and retrieval system with all records under the control of a Records Manager who will insure that all necessary documents are maintained in the files.”

4. Ensure that all UCR reports are generated and maintained in the children’s case files, as required.

ACS Response: “With the completion of Build 18, the need for paper UCR’s in the case file is obviated, and all records will be electronic.”

Inadequate Expenditure Documentation

CFS lacked supporting documentation to substantiate 9 (4%) of the 229 expenditures reviewed. The unsupported expenditures totaled \$1,594 (1.3%) of the \$118,959 in expenditures in our sample.

According to Article 4.29, §D, of the ACS contract, “The Contractor shall retain proper and sufficient bills, vouchers, duplicate receipts, and documentation for any payments or refunds made to or received by the Contractor in connection with this Agreement.”

Without supporting documentation, we were unable to determine whether these expenditures were for legitimate purposes and related to CFS's operations. Examples of these unsupported payments include a food stipend payment of \$256 and a household stipend payment of \$635 made payable to the Executive Director. CFS could not provide receipts for any of the above-mentioned expenditures.

Initially, CFS was unable to provide documentation to substantiate \$8,051 (7%) of the sampled expenditures. However, at the exit conference, the CFS Quality Assurance employee provided us copies of receipts and canceled checks that totaled \$6,457 of the \$8,051 in expenditures that lacked supporting documentation. We previously requested the supporting documentation for these expenditures during the course of the audit and were told that the information could not be found. CFS should ensure that adequate records supporting its expenditures are maintained and readily available for review.

Recommendation

5. CFS officials should ensure that expenditures are adequately supported by invoices and/or receipts.

ACS Response: "It is the policy and procedure of CFS that all expenditures must be supported by invoices or receipts. No check is issued without this required documentation. This procedure is detailed in the CFS Fiscal Manual which is distributed to all fiscal staff. Fiscal staff will be instructed that this policy must be adhered to at all times. In addition, it is important that such receipts be retained and filed in a manner which allows their retrieval when necessary. The Fiscal Office filing system will be revamped to bring about a better filing system to ensure that documents can be found when needed for review."

Questionable Clothing Purchases

The Executive Director purchased clothing with excessively high per-item costs. In addition, CFS lacked accountability for the purchase and distribution of the clothing. As a result, we have no assurance that the clothing was given to the children for whom it was reportedly purchased.

During Fiscal Year 2004, CFS purchased a total of \$71,354 in clothing using the Executive Director's CFS Corporate American Express card (AMEX). According to the AMEX statements and CFS records, \$10,878 was spent on clothing for FBH, \$37,429 was spent for SILP, and another \$23,047 was spent for IL. (ACS reimbursed CFS for the clothing expenditures made under the SILP and IL programs.) These amounts were in

addition to the \$161,217 in stipends³ given to the children throughout the year to be used for clothing purchases.

A majority of the AMEX clothing purchases were from high-end retailers, such as Nordstrom, Eileen Fisher, Neiman Marcus, Bryn Walker, and Saks Fifth Avenue. These purchases appear to be excessive and include brand name clothing, shoes, jewelry, and accessories. Some examples of these purchases include a pair of pants for \$178, a sweater for \$245, a pair of shoes for \$282, and a blazer for \$425. The money spent for these items could have been used more efficiently and effectively by purchasing similar items from more reasonably priced stores.

ACS Response: “ACS did not directly reimburse the CFS Corporate American Express card account any time. Expenses are claimed through the program in which they occur.”

Auditor Comment: We are aware that ACS did not directly reimburse the CFS Corporate American Express card account and that the clothing costs were claimed through program expenses. However, CFS reported over \$97,000 as clothing expenses under the SILP and IL program in the “Report of Actual Expenditures” sent to the State for FY 2004. The SILP clothing expenses were incorporated in determining the per diem rate by New York State Office of Children and Family Services (OCFS) and ACS reimbursed CFS based on that rate. IL clothing expenses were included in the money reimbursed to CFS as a budgeted line item. Therefore, ACS did pay CFS for the clothing expenses under the SILP and IL programs.

ACS Response: “The CFS Executive Director donated \$1,000 in Calendar Year 2004 specifically for the purchases of three of the four items mentioned in the report totaling \$952.43.”

Auditor Comment: The four items mentioned in our example were bought in March and April 2004. The check for \$1,000 from the CFS Executive Director was dated October 2004 and was deposited in February 2005. Moreover, there was no notation on the check indicating the donation was to be used for a specific purpose.

CFS did not maintain adequate records of its clothing purchases. It did not identify the children for whom the items were purchased and did not consistently require children to sign a receipt to indicate that they received the clothing. According to the Executive Director, these purchases were made for the benefit of the CFS foster children. However, without this documentation, we were unable to verify that all of the clothing purchased was actually given to the children.

In addition, CFS failed to maintain accurate inventory records of clothing items. Although a CFS employee maintains a separate list of the newly purchased clothing items, a

³ The \$161,217 in stipend payments consists of \$151,500 given to the foster parents throughout the year to purchase clothing for the foster children and \$9,717 in reimbursement payments given to SILP children for clothing purchases they made throughout the year.

running inventory balance is not being maintained. Moreover, clothing that was previously distributed but brought back to CFS,⁴ is not included on an inventory list. To provide better recordkeeping and tracking of the clothing, CFS should maintain a perpetual inventory record of all clothing in its possession, including those items returned to inventory.

Moreover, our inspection of the current inventory of clothing maintained by CFS revealed that some of the items, although identified by CFS personnel as being newly purchased items awaiting distribution, appeared to have been worn. There was one inspected item that had a visitor's pass in the pocket, further indicating that the item was not new but had already been used. Without segregating newly purchased clothing from items returned to inventory and without a proper inventory record, we could not conduct a full accounting of the recently purchased clothing. In addition, this raises questions as to the whereabouts of the purchased items, and whether these items were actually purchased for the children as reported.

The excessive cost of clothing purchases was previously uncovered during an investigation by the Department of Investigation (DOI). DOI's investigation revealed that CFS's Executive Director, who is the current Executive Director, used the CFS Corporate AMEX Card to "shop at novelty stores such as Saks Fifth Avenue, Zig Zag, Macy's, Nautica, Tommy Hilfiger, Nordstrom, and Eileen Fisher." According to the investigation report dated April 10, 1997, the Executive Director maintained "that these purchases were made for the benefit of CFS foster children . . . [and although] the cost of these items might be excessive . . . it was necessary to teach the foster children 'quality shopping.'" Based on its investigation, DOI recommended that "ACS give serious consideration to terminating its contract with CFS." ACS conducted its own review and decided, on balance, that it was appropriate to continue its funding to CFS. This decision was confirmed by DOI, on the understanding that ACS monitors CFS's operations periodically to ensure that its expenditures are program-related.

ACS Response: "The DOI report was submitted nine years ago. CFS contracts, subsequent to the contract in effect in 1997, have been registered since that time. The Comptroller's Office must approve all contract registrations and determine that any DOI report conditions have been satisfactorily adjudicated."

Auditor Comment: ACS is in error. The Comptroller's Office is not responsible to determine whether DOI report conditions have been satisfactorily adjudicated. It is the oversight agency's responsibility (ACS in this case) to ascertain that the DOI report conditions have been adequately rectified and to submit a "Responsibility Determination" form (which assesses the business integrity of the contractor) to the Comptroller's Office at the time of the renewal of the contract.

Excessive spending on clothing was not limited to purchases using ACS funds, but was also evident in the use of funds provided by New York State; however, we could not review the use of those funds because they were outside the scope of this audit.

⁴ According to the Executive Director, if a child leaves clothes behind, CFS will wash the clothing and place it back in inventory to be used by other children.

At the exit conference, the Executive Director informed us that CFS now requires children to sign for the clothing and has also created a clothing inventory form to provide a better tracking of the clothing. In addition, we were informed that the AMEX card account has been closed and that all future purchases will be made using the CFS checking account.

The Executive Director also told us that she felt that she was following proper policies and procedures when purchasing the clothing with her CFS Corporate AMEX card, as it was a requirement of the contract with ACS to provide children with the necessary clothing. In addition, according to the Executive Director, the contract does not restrict the amount of money or the type of stores allowed when purchasing clothing for the children. Nevertheless, CFS should have made an attempt to purchase clothing of similar quality from lower-priced stores, especially considering the existence of its deficit.

Recommendations

CFS officials should:

6. Use program funds more efficiently by purchasing clothing from reasonably priced stores.

ACS Response: “CFS has completely revised its clothing policies and procedures. No clothing will be centrally purchased. CFS submitted a new clothing procedure on 5/16/06 to the auditors. In an emergency situation CFS will pay no more than \$150 for any item purchased.”

7. Separate the newly purchased clothing from the used items returned to inventory.
8. Maintain a perpetual inventory listing of clothing, including the newly purchased items and used items returned to inventory.
9. Establish a clothing distribution receipt, require children to sign the receipt for clothing received, and ensure that these signed receipts are maintained.

ACS Response to Recommendations #7, #8, and #9: “There is no longer any clothing inventory. CFS has completely revised its clothing policies and procedures. No further clothing will be centrally purchased.”

ACS officials should:

10. Perform a full review of the CFS Corporate AMEX account since Fiscal Year 2004 to determine whether all reimbursed purchases were for legitimate and allowable purposes.

ACS Response: “ACS will perform a full review of the CFS Corporate AMEX account for the Fiscal years subsequent to the Comptroller’s report (Fiscal Years 2005-2006).”

11. Restrict the amount of money to be spent on individual clothing items.

ACS Response: “CFS has ceased the practice of directly purchasing clothing for foster children. All clothing purchases, effective 06/01/06, will be done through established expense reimbursement mechanisms.”

Lack of Oversight by CFS Board of Directors and ACS

The CFS Board’s bylaws state that the “overall governance of the agency CFS shall be entrusted to the Board of Directors in collaboration with the Corporation of CFS.” The Board needs to be fully informed about CFS activities to make appropriate decisions regarding its operations. However, the minutes for Board of Directors meetings held between July 1, 2003, and December 31, 2005, show that several issues that required the Board’s oversight either were not discussed or were discussed in a cursory manner and not resolved, as discussed below.

Financial Concerns Not Addressed Adequately

Annual expenses incurred by CFS exceeded its annual income from Fiscal Year 2002 through Fiscal Year 2005. According to the CFS Consolidated Statement of Income and Expense, its expenses for the FBH, IL, and SILP programs exceeded its income by \$467,608, \$894,490, \$894,297, and \$100,960 for Fiscal Years 2002, 2003, 2004, and 2005, respectively. Moreover, as shown on its Fiscal Year 2004 audited financial statements, CFS had a negative fund balance⁵ of about \$3.4 million, \$4.4 million, and \$5 million at the end of Fiscal Years 2002, 2003, and 2004, respectively. The Fiscal Year 2004 audited financial statement also shows CFS owing ACS about \$4.2 million as of June 30, 2003, and \$4.0 million as of June 30, 2004.

In our review of minutes of Board meetings held between July 1, 2003, and December 31, 2005, we found no mention of negative fund balances until the October 19, 2004 Board meeting. At this meeting, the Board discussed the existence of a \$4.4 million deficit and offered several options to help alleviate it. However, no final decisions were made. In addition, at the December 20, 2004 Board meeting, questions arose as to how the deficit occurred and grew to a level of \$4 million. According to the Finance Committee Chair, the deficit was mainly caused by “over-advancements” of funds by ACS.

During Fiscal Year 2005, ACS hired a consultant from Paragon Management Group (Paragon) to perform a financial review of CFS operations. The consultant issued a report on June 3, 2005. According to this report, CFS “faces a bleak situation with a negative fund

⁵ A fund balance is the difference between the assets and liabilities of a fund. It is used as a measure of the amount available to spend in the future.

balance of almost \$5 million, operating deficit in each of the four major programs in each of the previous 3 years and a total deficit of about \$425,000 for the first 10 months in the current year.”

The consultant also discovered that the overall Board oversight of CFS finances was poor, partly due to the Board’s inadequate understanding of and expertise in not-for-profit accounting. CFS suffered deficits during Fiscal Years 2002, 2003, and 2004, in part, because of poor cost and financial management. According to the consultant, the Board did not effectively monitor and oversee CFS’s finances. In addition, the Board did not have an active role in planning and participating in the fundraising activities.

There were several recommendations made by the consultant regarding financial management, planning, monitoring, and Board oversight of CFS finances. To determine whether ACS followed up on the consultant’s advice or whether any additional monitoring was conducted, we requested information documenting the actions taken by ACS since the issuance of the consultant’s report. ACS provided us a copy of an agreement, covering the period August 1, 2005, to May 31, 2006, between New Yorkers for Children (NYFC) and a consultant that was an attempt to provide technical assistance in management and planning to ACS-funded programs. However, we have not received any information from ACS concerning assistance provided to CFS by the consultant.

CFS officials should have ensured that the Board was provided the necessary information required to aid in its managing of CFS operations. The Board, in turn, should have ensured that it fully understood CFS’s financial operations as well as the manner in which funds were received and spent.

At the exit conference, the ACS Director of Audits provided us a copy of a memorandum dated April 29, 2006, from a consultant who performed a limited follow-up review of CFS’s financial management and agency performance. The consultant concluded that CFS has made “substantial progress in getting their fiscal house in order” and has taken steps to decrease its fiscal deficit. The consultant also determined that there was evidence that most of the recommendations regarding the budgeting, financial reporting, and cost containment addressed to CFS by the Paragon consultant were accepted and implemented. ACS provided us documentation indicating that it has taken steps to monitor CFS’s budgetary process and has assisted in the adoption of CFS’s budget by ensuring that it was within the range of projected revenues.

Also at the exit conference, the CFS Executive Director provided us a letter (dated May 12, 2006) from the Board Chair to ACS informing them that the Board takes seriously its obligation to oversee CFS’s operations and was made aware of the deficits and the reasons for them. The Chair stated that the Board met on June 19, 2003, October 19, 2004, and December 20, 2004, and at all these meetings the minutes reflect the fact that a financial report was presented and discussed. In addition, the Chair said that it will be the policy of the Board to continue financial and management oversight of the operations. Furthermore, the Executive Director told us that the Board has always been informed of CFS’s operations and gave us copies of notes and analyses that were provided to the Board.

However, during our review of the Board minutes, it did not appear evident that the Board fully understood the financial operations of CFS. As stated in the February 17, 2005 Board meeting, a Board member was unaware that CFS was operating on “Deficit Spending” for a number of years due to over-advancements of funds, claiming that “it has never been reported in a financial report.” She further stated that the Board should have been “given more meaningful reports [and] more explicit reports, so that board members can more easily understand the financial position of the agency and the information should not be given at the last minute.”

Fundraising Activities Losing Money

CFS’s Fundraising Account has been losing money for three of the past four years. According to the CFS Consolidated Statement of Income and Expense, there was a deficit in this account of more than \$13,300 in Fiscal Year 2002; \$28,300 in Fiscal Year 2004; and \$29,000 in Fiscal Year 2005. There was only one year, Fiscal Year 2003, in which a surplus of nearly \$8,700 existed.

There was no mention of the financial condition of the fundraising activities during any of the Board minutes reviewed. Our review of the Board minutes revealed that the majority of the fundraising discussions were related to the fundraising events themselves and associated ticket sales, and did not clearly address the financial results of the events. Although at times the Board discussions touched upon the proceeds of individual fundraising events, the financial condition of fundraising activities in the aggregate was never discussed.

According to the October 19, 2004 Board minutes, a Board member candidate stated that she was “aware that the Board’s main focus is fundraising.” Since the fundraising activities are such an important part of its operations, the Board should ensure that its members are made aware of the financial condition of the fundraising activities so that an informed decision can be made by the Board as to whether the fundraising activities should be continued or modified.

Recommendations

12. CFS officials should ensure that the CFS Board of Directors is provided with the necessary information to effectively manage CFS operations.

ACS Response: “CFS has regularly provided financial information to the Board of Directors. In the future, Board minutes will reflect more accurately and completely the receipt by Board Members of such information. Staff will be available to answer questions Board members may have or to provide additional information.”

13. The Board of Directors should enhance its oversight regarding CFS's financial operations.

ACS Response: "CFS Board of Directors agrees to take a more active role in the oversight of financial operations of the agency. Regular reports will be reviewed by Board Members and the Finance Committee will take a more proactive role in reviewing operations and insuring that future budgets are balanced."

14. ACS officials should meet with CFS officials to discuss the implementation status of the recommendations made in the consultant's report on CFS's financial operations.

ACS Response: "ACS first met with CFS and the consultant to discuss the implementation status of the recommendations made in the Paragon Management Group report on 09/13/05. Subsequent meetings were held with ACS executive management on 11/17/05 and 05/17/06 that covered certain areas of concern mentioned in the report. Technical assistance is being provided to the agency and, as acknowledged in the consultant's report and cited in the Comptroller's report, most of the Paragon Management recommendations have been implemented. Also, as acknowledged in the Comptroller's report, the adoption of the Fiscal Year 2006 CFS budget was monitored by ACS."

15. The Board of Directors should reevaluate CFS's fundraising activities and determine the appropriateness of its continuation.

ACS Response: "On 5/15/06, the Fund Raising Committee of the Board of Directors met and reviewed the fund raising activities. At that meeting, changes were made in the main fund raising event to make it more effective. Ticket prices were revised to attract a greater number of benefactors and the overall arrangement of the fund raising event was reviewed including the change introduced in August, 2005 to reduce the cost of the event. The results of this meeting were presented to the Board of Directors at a subsequent meeting and ratified."

Excess Advances over Expenditures Incurred

During Fiscal Year 2004, ACS overpaid CFS by \$195,335. ACS advanced \$6,206,661⁶ to CFS during Fiscal Year 2004 to provide services covering a total of 114,528 days-of-care under the FBH program and another 5,195 days-of-care under SILP. CFS was eligible to receive \$48.17 for each day-of-care in FBH and \$95.19 for each day-of-care in SILP. By multiplying the days-of-care of each program with its respective rates, we calculated that CFS was eligible to receive only \$6,011,326 for these services during Fiscal Year 2004. As a result, CFS received \$195,335 (\$6,206,661 less \$6,011,326) in excess that was not supported by documentation on the days-of-care provided to foster children. An ACS official informed us that during Fiscal Year 2004, CFS was advanced \$190,000 in

⁶ This amount includes payments made only for FBH and SILP. Special payments, discharge grants, and payments made for Independent Living are not included in this amount.

addition to its regular monthly advancement payments to alleviate CFS's hardship. However, without documented justification, we could not determine the reason the additional funds were given to CFS.

At the exit conference, the ACS Director of Audits informed us that the \$190,000 was provided to CFS because CFS was having cash-flow problems and would not have been able to cover its employee payroll without these funds. As evidence, he provided us a copy of a letter from CFS requesting this early advancement of \$190,000 and acknowledged that this information should have been on file and readily available for our review. However, ACS did not provide us any documentation indicating that these additional funds were authorized by ACS's Payment Services division to be provided to CFS.

In addition, we were informed that CFS is making an attempt to reduce the amount owed to ACS by reimbursing them approximately \$100,000 per year and by looking into alternative methods to raise additional funds, including the possible sale of its building.

Recommendations

ACS officials should:

16. Establish an authorization process that documents the review and approval of all special and non-routine payments to foster care agencies.

ACS Response: "ACS is in the process of establishing a written protocol to describe an authorization process in place that documents the review and approval of all special and non-routine payments to foster care agencies already in progress. The process involves a three tier approval review."

17. Ensure that CFS continues its payment plan concerning the \$195,335 owed to ACS.

ACS Response: "ACS will continue to recover funds from CFS and include the \$195,335 due to ACS reported in this audit."

ACS Audits Not Performed in a Timely Manner

ACS contracts with an independent accounting firm to conduct financial audits of its contracted foster care agencies to ensure that all the payments were for authorized services and that all the claims submitted for payment were calculated correctly. Foster care providers are required to reimburse ACS for any discrepancies uncovered by these financial audits. However, ACS is not ensuring that these audits are being performed in a timely manner. The most recent financial audit performed on CFS was issued on April 20, 2004, and covered only Fiscal Year 1996. By not performing annual audits in a timely manner,

ACS is not able to recoup money for bills paid in error until many years have passed, resulting in potential financial losses.

Since CFS has been operating with a deficit for the last four years, owing more than \$4.2 million to various City and New York State agencies, the probability of ACS recouping the entire amount owed by CFS is extremely low.

At the exit conference, the ACS Director of Audit informed us that he understood the importance of conducting these financial audits and that ACS is currently contracting with independent accounting firms to perform blocks of audits covering several years in an effort to catch up to the current fiscal year. We were provided copies of three financial audits of CFS covering Fiscal Years 1997, 1998, and 1999 that were recently completed. In addition, he told us that ACS is currently in contract to have financial audits conducted of CFS operations in Fiscal Years 2000 through 2003.

Recommendation

18. ACS officials should ensure that financial audits are conducted at CFS on a timely basis.

ACS Response: “ACS reported at the Exit Conference that audits had been contracted for CFS through Fiscal Year 2005. Subsequent to the Exit Conference, it was reported to the Comptroller’s office that Draft audits were received through Fiscal Year 2005.”



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

ADDENDUM
Page 1 of 23

JOHN B. MATTINGLY
Commissioner

SUSAN NUCCIO
Deputy Commissioner

MELANIE HARTZOG
Associate Commissioner

June 16, 2006

Mr. John Graham
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 MD05-133A Audit
on the Compliance of Concord Family Services with
Foster and Child Care Payment Regulations

Dear Mr. Graham:

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
Compliance of Concord Family Services with
Foster and Child Care Payment Regulations
Audit Number MD05-133A

Administration for Children's Services

Response to Recommendations

June 16, 2006

The Administration for Children's Services (ACS) was pleased the auditors found that Concord Family Services (CFS) appropriately managed the \$6.6 million in revenues it received through contracts with ACS and that, in general, expenditures were appropriate and adequately supported. ACS was also pleased to learn that issues in the report were not material enough to detract from that conclusion.

ACS has addressed each recommendation below and in greater detail in the attached Audit Implementation Plans.

Regarding Findings:

Following, the methods in which clothing expenditures are reimbursed to the agency are described. ACS did not directly reimburse the CFS Corporate American Express card account at any time. Expenses are claimed through the program in which they occur.

- Clothing expenditures are reimbursed for SILP through rates known as the Maximum State Aid Rate set by the New York State Office of Children and Family Services (OCFS). The expenses are reported in the New York State Standards of Payment and incorporated into a per diem rate for the program;
- Independent Living is reimbursed through expense reports that are claimed on an approved line item budget;
- Other than what is paid directly to foster parents for clothing (pass through), OCFS does not approve a clothing allowance to be included in the rate set for Foster Boarding Home administrative rates; and
- A review of the Standards of Payment for Fiscal Year 2004 reveals that no clothing costs were included as an expense.

Therefore, the \$10,878 reported was not included in the Foster Boarding Home rate setting and is not reimbursed.

- The CFS Executive Director donated \$1,000 in Calendar Year 2004 specifically for the purchases of three of the four items mentioned in the report totaling \$952.43.
- The DOI report was submitted nine years ago. CFS contracts, subsequent to the contract in effect in 1997, have been registered since that time. The Comptroller's Office must approve all contract registrations and determine that any DOI report conditions have been satisfactorily adjudicated.

City of New York Office of the Comptroller
Compliance of Concord Family Services with
Foster and Child Care Payment Regulations
Audit Number MD05-133A

Administration for Children's Services
Response to Recommendations
June 16, 2006

RECOMMENDATION 1

All missing UCR's have been placed in the case records. Any case notes which may not have been prepared contemporaneously cannot be created retroactively. Going forward, CFS will review and quality assure its case records. If documentation (i.e. UCRs, W853c approvals) is found to be missing, CFS will contact ACS (OCM) Unit 90M and request copies of these documents to augment its files.

RECOMMENDATION 2

As of 10/2005, CFS has hired a Quality Assurance Director whose job will be to ensure the integrity of all case files. She has established a tracking system for all of the key documents in the file and will report to management regularly on the completeness and correctness of all such documentation. She will train casework staff, when necessary in the proper preparation of such documents. With the completion of BUILD 18, the need for paper UCR's in the case file will be obviated, since all such records will be electronic. In addition, CFS will establish a centralized record maintenance and retrieval system with all records under the control of a Records Manager who will insure that all necessary documents are maintained in the files.

RECOMMENDATION 3

As of 10/2005, CFS has hired a Quality Assurance Director whose job will be to ensure the integrity of all case files. She has established a tracking system for all of the key documents in the file and will report to management regularly on the completeness and correctness of all such documentation. She will train casework staff, when necessary in the proper preparation of such documents. In addition, CFS will establish a centralized record maintenance and retrieval system with all records under the control of a Records Manager who will insure that all necessary documents are maintained in the files.

RECOMMENDATION 4

With the completion of BUILD 18, the need for paper UCR's in the case file is obviated, and all records will be electronic.

RECOMMENDATION 5

It is the policy and procedure of CFS that all expenditures must be supported by invoices or receipts. No check is issued without this required documentation. This procedure is detailed in the CFS Fiscal Manual which is distributed to all fiscal staff. Fiscal staff will be instructed that this policy must be adhered to at all times. In addition, it is important that such receipts be retained and filed in a manner which allows their retrieval when necessary. The Fiscal Office filing system will be revamped to bring about a better filing system to ensure that documents can be found when needed for review.

City of New York Office of the Comptroller
Compliance of Concord Family Services with
Foster and Child Care Payment Regulations
Audit Number MD05-133A

Administration for Children's Services
Response to Recommendations
June 16, 2006

RECOMMENDATION 6

CFS has completely revised its clothing policies and procedures. No clothing will be centrally purchased. CFS submitted a new clothing procedure on 05/16/06 to the auditors. In an emergency situation CFS will pay no more than \$150 for any item purchased.

RECOMMENDATION 7, 8 & 9

There is no longer any clothing inventory. CFS has completely revised its clothing policies and procedures. No further clothing will be centrally purchased.

RECOMMENDATION 10

ACS will perform a full review of the CFS Corporate AMEX account for the Fiscal years subsequent to the Comptroller's report (Fiscal Years 2005-2006).

RECOMMENDATION 11

CFS has ceased the practice of directly purchasing clothing for foster children. All clothing purchases, effective 06/01/06, will be done through established expense reimbursement mechanisms.

RECOMMENDATION 12

CFS has regularly provided financial information to the Board of Directors. In the future, Board minutes will reflect more accurately and completely the receipt by Board Members of such information. Staff will be available to answer questions Board members may have or to provide additional information.

RECOMMENDATION 13

CFS Board of Directors agrees to take a more active role in the oversight of financial operations of the agency. Regular reports will be reviewed by Board Members and the Finance Committee will take a more proactive role in reviewing operations and insuring that future budgets are balanced.

RECOMMENDATION 14

ACS first met with CFS and the consultant to discuss the implementation status of the recommendations made in the Paragon Management Group report on 09/13/05. Subsequent meetings were held with ACS executive management on 11/17/05 and 05/17/06 that covered certain areas of concern mentioned in the report. Technical assistance is being provided to the agency and, as acknowledged in the consultant's report and cited in the Comptroller's report, most of the Paragon Management recommendations have been implemented. Also, as acknowledged in the Comptroller's report, the adoption of the Fiscal Year 2006 CFS budget was monitored by ACS.

City of New York Office of the Comptroller
Compliance of Concord Family Services with
Foster and Child Care Payment Regulations
Audit Number MD05-133A

Administration for Children's Services
Response to Recommendations
June 16, 2006

RECOMMENDATION 15

On 05/15/06, the Fund Raising Committee of the Board of Directors met and reviewed the fund raising activities. At that meeting, changes were made in the main fund raising event to make it more effective. Ticket prices were revised to attract a greater number of benefactors and the overall arrangement of the fund raising event was reviewed including the change introduced in August, 2005 to reduce the cost of the event. The results of this meeting were presented to the Board of Directors at a subsequent meeting and ratified.

RECOMMENDATION 16

ACS is in the process of establishing a written protocol to describe an authorization process in place that documents the review and approval of all special and non-routine payments to foster care agencies already in progress. The process involves a three tier approval review.

RECOMMENDATION 17

ACS will continue to recover funds from CFS and include the \$195,335 due to ACS reported in this audit.

RECOMMENDATION 18

ACS reported at the Exit Conference that audits had been contracted for CFS through Fiscal Year 2005. Subsequent to the Exit Conference, it was reported to the Comptroller's office that Draft audits were received through Fiscal Year 2005.

ADMINISTRATION FOR CHILDREN'S SERVICES AUDIT IMPLEMENTATION PLAN
NEW YORK CITY COMPTROLLER'S AUDIT ON COMPLIANCE OF THE CONCORD FAMILY SERVICES
WITH FOSTER AND CHILD CARE PAYMENT REGULATIONS
AUDIT NUMBER: MD05-133A

RECOMMENDATION # 1: CFS should review the case files that are cited in this report as having no documentation that certain provisions – such as documentation of home visits and the development of the UCR – were met. See that those provisions are performed, and that the appropriate documentation is placed in the case files.

RESPONSIBLE MANAGER'S NAME: THEODORA DIGGS, DIRECTOR OF QUALITY ASSURANCE

CORRECTIVE ACTIONS TO BE TAKEN	RESPONSIBLE PERSON	DATES START END	DOCUMENTATION	COMMENTS
<p>All missing UCR's have been placed in the case records. Any case notes which may not have been prepared contemporaneously cannot be created retroactively. Going forward, CFS will review and quality assure its case records. If documentation (i.e. UCRs, W853c approvals) is found to be missing, CFS will contact ACS (OCM) Unit 90M and request copies of these documents to augment its files.</p>	<p>Theodora Diggs, Director of Quality Assurance</p>	<p>06/01/06 On-going</p>		

**ADMINISTRATION FOR CHILDREN'S SERVICES AUDIT IMPLEMENTATION PLAN
 NEW YORK CITY COMPTROLLER'S AUDIT ON COMPLIANCE OF THE CONCORD FAMILY SERVICES
 WITH FOSTER AND CHILD CARE PAYMENT REGULATIONS
 AUDIT NUMBER: MD05-133A**

RECOMMENDATION # 2: CFS should ensure that all case files and related documentation pertaining to foster children are adequately maintained and available for review upon request by authorized personnel.

RESPONSIBLE MANAGER'S NAME: THEODORA DIGGS, DIRECTOR OF QUALITY ASSURANCE

CORRECTIVE ACTIONS TO BE TAKEN	RESPONSIBLE PERSON	DATES START END	DOCUMENTATION	COMMENTS
<p>As of 10/2005, CFS has hired a Quality Assurance Director whose job will be to ensure the integrity of all case files. She has established a tracking system for all of the key documents in the file and will report to management regularly on the completeness and correctness of all such documentation. She trains casework staff, when necessary in the proper preparation of such documents. With the completion of BUILD 18, the need for paper UCR's in the case file will be obviated, since all such records will be electronic. In addition, CFS will establish a centralized record maintenance and retrieval system with all records under the control of a Records Manager who will insure that all necessary documents are maintained in the files.</p>	<p>Records Manager has been hired</p>	<p>07/10/06 On-going</p>		

**ADMINISTRATION FOR CHILDREN'S SERVICES AUDIT IMPLEMENTATION PLAN
 NEW YORK CITY COMPTROLLER'S AUDIT ON COMPLIANCE OF THE CONCORD FAMILY SERVICES
 WITH FOSTER AND CHILD CARE PAYMENT REGULATIONS
 AUDIT NUMBER: MD05-133A**

RECOMMENDATION # 3: CFS should ensure that case workers document the home visits of the foster children and maintain these records in the children's case files.

RESPONSIBLE MANAGER'S NAME: THEODORA DIGGS, DIRECTOR OF QUALITY ASSURANCE

CORRECTIVE ACTIONS TO BE TAKEN	RESPONSIBLE PERSON	DATES START END	DOCUMENTATION	COMMENTS
<p>As of 10/2005, CFS has hired a Quality Assurance Director whose job will be to ensure the integrity of all case files. She has established a tracking system for all of the key documents in the file and will report to management regularly on the completeness and correctness of all such documentation. She trains casework staff, when necessary in the proper preparation of such documents. In addition, CFS will establish a centralized record maintenance and retrieval system with all records under the control of a Records Manager who will insure that all necessary documents are maintained in the files.</p>	<p>Records Manager has been hired</p>	<p>07/10/06 On-going</p>		

ADMINISTRATION FOR CHILDREN'S SERVICES AUDIT IMPLEMENTATION PLAN
NEW YORK CITY COMPTROLLER'S AUDIT ON COMPLIANCE OF THE CONCORD FAMILY SERVICES
WITH FOSTER AND CHILD CARE PAYMENT REGULATIONS
AUDIT NUMBER: MD05-133A

RECOMMENDATION # 4: CFS should ensure that all UCR reports are generated and maintained in the children's case files as required.

RESPONSIBLE MANAGER'S NAME: THEODORA DIGGS, DIRECTOR OF QUALITY ASSURANCE

CORRECTIVE ACTIONS TO BE TAKEN	RESPONSIBLE PERSON	START DATE	END DATE	DOCUMENTATION	COMMENTS
With the completion of BUILD 18, the need for paper UCR's in the case file is obviated, and all records will be electronic.	Theodora Diggs, Director of Quality Assurance	10/2005	On-going		

**ADMINISTRATION FOR CHILDREN'S SERVICES AUDIT IMPLEMENTATION PLAN
 NEW YORK CITY COMPTROLLER'S AUDIT ON COMPLIANCE OF THE CONCORD FAMILY SERVICES
 WITH FOSTER AND CHILD CARE PAYMENT REGULATIONS
 AUDIT NUMBER: MD05-133A**

RECOMMENDATION # 5: CFS should ensure that expenditures are adequately supported by invoices and/or receipts.

RESPONSIBLE MANAGER'S NAME: STAY THOMPSON

CORRECTIVE ACTIONS TO BE TAKEN	RESPONSIBLE PERSON	DATES START END	DOCUMENTATION	COMMENTS
<p>It is the policy and procedure of CFS that all expenditures must be supported by invoices or receipts. No check is issued without this required documentation. This procedure is detailed in the CFS Fiscal Manual which is distributed to all fiscal staff. Fiscal staff will be instructed that this policy must be adhered to at all times. In addition, it is important that such receipts be retained and filed in a manner which allows their retrieval when necessary. The Fiscal Office filing system will be revamped to bring about a better filing system to ensure that documents can be found when needed for review.</p>	<p>Claudette Jones, Bookkeeper</p>	<p>06/01/06 On-going</p>		

ADMINISTRATION FOR CHILDREN'S SERVICES AUDIT IMPLEMENTATION PLAN
NEW YORK CITY COMPTROLLER'S AUDIT ON COMPLIANCE OF THE CONCORD FAMILY SERVICES
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RECOMMENDATION # 6: CFS should use program funds more efficiently by purchasing clothing from reasonably priced stores.

RESPONSIBLE MANAGER'S NAME: LELAR E FLOYD, EXECUTIVE DIRECTOR

CORRECTIVE ACTIONS TO BE TAKEN	RESPONSIBLE PERSON	DATES START END	DOCUMENTATION	COMMENTS
<p>CFS has completely revised its clothing policies and procedures. No clothing will be centrally purchased. CFS submitted a new clothing procedure on 05/16/06 to the auditors. In an emergency situation CFS will pay no more than \$150 for any item purchased.</p>	<p>Lelar E. Floyd, Executive Director</p>	<p>06/01/06 06/01/06</p>	<p>Memo</p>	

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RECOMMENDATION # 7: CFS should separate the newly purchased clothing from the used items returned to inventory.

RESPONSIBLE MANAGER'S NAME: LELAR E FLOYD, EXECUTIVE DIRECTOR

CORRECTIVE ACTIONS TO BE TAKEN	RESPONSIBLE PERSON	DATES START	DATES END	DOCUMENTATION	COMMENTS
<p>There is no longer any clothing inventory. CFS has completely revised its clothing policies and procedures. No further clothing will be centrally purchased.</p>	<p>Lelar E. Floyd, Executive Director</p>	<p>06/01/06</p>	<p>06/01/06</p>	<p>Procedures Memorandum</p>	

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RECOMMENDATION # 8: CFS should maintain a perpetual inventory listing of clothing, including the newly purchased items and used items returned to inventory.

RESPONSIBLE MANAGER'S NAME: LELAR E FLOYD, EXECUTIVE DIRECTOR

CORRECTIVE ACTIONS TO BE TAKEN	RESPONSIBLE PERSON	DATES START END	DOCUMENTATION	COMMENTS
<p>There is no longer any clothing inventory. CFS has completely revised its clothing policies and procedures. No further clothing will be centrally purchased.</p>	<p>Lelar E. Floyd, Executive Director</p>	<p>06/01/06 06/01/06</p>	<p>Memo</p>	

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RECOMMENDATION # 9: CFS should establish a clothing distribution receipt, require children to sign the receipt for clothing received and ensure that these signed receipts are maintained.

RESPONSIBLE MANAGER'S NAME: LELAR E FLOYD, EXECUTIVE DIRECTOR

CORRECTIVE ACTIONS TO BE TAKEN	RESPONSIBLE PERSON	DATES START END	DOCUMENTATION	COMMENTS
Clothing will no longer be issued directly to children. CFS has completely revised its clothing policies and procedures. No further clothing will be centrally purchased.	Lelar E. Floyd, Executive Director	06/01/06 06/01/06	Memo	

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RECOMMENDATION # 10: ACS should perform a full review of the CFS Corporate AMEX account since Fiscal Year 2004 to determine whether all reimbursed purchases were for legitimate and allowable purposes.

RESPONSIBLE MANAGER'S NAME: SUSAN NUCCIO, DEPUTY COMMISSIONER

CORRECTIVE ACTIONS TO BE TAKEN	RESPONSIBLE PERSON	DATES START END	DOCUMENTATION	COMMENTS
ACS will perform a full review of the CFS Corporate AMEX account for the Fiscal years subsequent to the Comptroller's report (Fiscal Years 2005-2006).	T. Welsh J. Tennyson	08/2006 09/2006	Report.	

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RECOMMENDATION # 11: ACS officials should restrict the amount of money to be spent on individual clothing items.

RESPONSIBLE MANAGER'S NAME: SUSAN NUCCIO, DEPUTY COMMISSIONER

CORRECTIVE ACTIONS TO BE TAKEN	RESPONSIBLE PERSON	DATES START END	DOCUMENTATION	COMMENTS
CFS has ceased the practice of directly purchasing clothing for foster children. All clothing purchases, effective 06/01/06, will be done through established expense reimbursement mechanisms.	T. Welsh	05/06/06 05/06/06	Report.	

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RECOMMENDATION # 12: CFS should ensure that the CFS Board of Directors is provided with the necessary information to effectively manage CFS operations.

RESPONSIBLE MANAGER'S NAME: PHILIP R. SCOTT, BOARD CHAIR

CORRECTIVE ACTIONS TO BE TAKEN	RESPONSIBLE PERSON	DATES START END	DOCUMENTATION	COMMENTS
CFS has regularly provided financial information to the Board of Directors. In the future, Board minutes will reflect more accurately and completely the receipt by Board Members of such information. Staff will be available to answer questions Board members may have or to provide additional information.	Stay Thompson, Fiscal Director	06/01/06 On-going		

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RECOMMENDATION # 14: ACS should meet with CFS to discuss the implementation status of the recommendations made in the consultant's report on CFS's financial operations.

RESPONSIBLE MANAGER'S NAME: SUSAN NUCCIO, DEPUTY COMMISSIONER

CORRECTIVE ACTIONS TO BE TAKEN	RESPONSIBLE PERSON	DATES START END	DOCUMENTATION	COMMENTS
<p>ACS first met with CFS and the consultant to discuss the implementation status of the recommendations made in the Paragon Management Group report on 09/13/05. Subsequent meetings were held with ACS executive management on 11/17/05 and 05/17/06 that covered certain areas of concern mentioned in the report. Technical assistance is being provided to the agency and, as acknowledged in the consultant's report and cited in the Comptroller's report, most of the Paragon Management recommendations have been implemented. Also, as acknowledged in the Comptroller's report, the adoption of the Fiscal Year 2006 CFS budget was monitored by ACS.</p>	<p>S. Nuccio V. Russo</p>	<p>09/13/05 On-going</p>	<p>09/13/05 Attendance Sheet. 11/17/05 Agenda. 05/17/06 Agenda.</p>	

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RECOMMENDATION # 15: The CFS Board of Directors should re-evaluate CFS's fundraising activities and determine the appropriateness of its continuation.

RESPONSIBLE MANAGER'S NAME: PHILIP R. SCOTT, BOARD CHAIR

CORRECTIVE ACTIONS TO BE TAKEN	RESPONSIBLE PERSON	DATES START END	DOCUMENTATION	COMMENTS
<p>On 05/15/06, the Fund Raising Committee of the Board of Directors met and reviewed the fund raising activities. At that meeting, changes were made in the main fund raising event to make it more effective. Ticket prices were revised to attract a greater number of benefactors and the overall arrangement of the fund raising event was reviewed including the change introduced in August, 2005 to reduce the cost of the event. The results of this meeting were presented to the Board of Directors at a subsequent meeting and ratified.</p>	<p>Philip R. Scott, Board Chair</p>	<p>05/15/06 On-going</p>		

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RECOMMENDATION # 16: ACS officials should establish an authorization process that documents the review and approval of all special and non-routine payments to foster care agencies.

RESPONSIBLE MANAGER'S NAME: SUSAN NUCCIO, DEPUTY COMMISSIONER

CORRECTIVE ACTIONS TO BE TAKEN	RESPONSIBLE PERSON	DATES START END	DOCUMENTATION	COMMENTS
ACS is in the process of establishing a written protocol to describe an authorization process in place that documents the review and approval of all special and non-routine payments to foster care agencies. The process involves a three tier approval review.	T. Welsh	06/2006 07/2006	Written protocol for authorization of emergency and non-routine payments.	

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RECOMMENDATION # 17: ACS should ensure that CFS continues its payment plan concerning the \$195,335 owed to ACS.

RESPONSIBLE MANAGER'S NAME: SUSAN NUCCIO, DEPUTY COMMISSIONER

CORRECTIVE ACTIONS TO BE TAKEN	RESPONSIBLE PERSON	DATES START END	DOCUMENTATION	COMMENTS
ACS will continue to recover funds from CFS and include the \$195,335 due to ACS reported in this audit.	T. Welsh	On-going	Payment records.	

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RECOMMENDATION # 18: ACS should ensure that financial audits are conducted at CFS on a timely basis.

RESPONSIBLE MANAGER'S NAME: SUSAN NUCCIO, DEPUTY COMMISSIONER

CORRECTIVE ACTIONS TO BE TAKEN	RESPONSIBLE PERSON	DATES START	DATES END	DOCUMENTATION	COMMENTS
<p>ACS reported at the Exit Conference that audits had been contracted for CFS through Fiscal Year 2005. Subsequent to the Exit Conference, it was reported to the Comptroller's office that Draft audits were received through Fiscal Year 2005.</p>	<p>T. Welsh</p>	<p>On-going</p>		<p>Draft Audits.</p>	