

AUDIT REPORT



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

Audit Report on Administration for Children's Services Controls over Payments to Transportation Vendors

MJ05-138A

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 responsibilities of the Comptroller contained in Chapter 5, §93, of the New York City Charter, my office has audited the Administration for Children's Services (ACS) to determine whether ACS has adequate controls over payments to its five transportation service vendors.

ACS is devoted solely to serving children and their families. To meet its transportation needs and to supplement its own fleet of vehicles and drivers, ACS uses five transportation vendors. We audit agency oversight of contracts such as these to ensure proper contract management and payment of vendors.

The results of our audit, which are presented in this report, have been discussed with 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

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

**Audit Report on
Administration for Children's Services Controls
Over Payments to Transportation Vendors**

MJ05-138A

AUDIT REPORT IN BRIEF

This audit determined whether the Administration for Children's Services (ACS) has adequate controls in place over payments to its five transportation service vendors. ACS was created in 1996 as the first New York City agency devoted solely to serving children and their families. ACS's mission is to ensure the safety and well-being of City children. The Division of Transportation Services (Transportation Services) seeks to provide safe and efficient transportation for all children in its care and for all agency staff. Transportation Services provides vehicles and transportation resources as needed, 24 hours a day, seven days a week, including holidays. To meet additional transportation needs and to supplement its own fleet of vehicles and drivers, ACS uses five vendors. In Fiscal Year 2005, ACS paid \$2.93 million for vehicular transportation services to these vendors.

Audit Findings and Conclusions

ACS has some controls in place over payments made to its transportation service vendors, such as prepayment audits of invoices, the segregation of the review and payment units, and procedures manuals that describe the request and authorization process for vehicle use.

However, there are a number of control weaknesses that may result in vendors being paid for transportation services not provided. ACS fails to make sure that drivers and their vehicles are at their designated sites as indicated in vendors' daily shift schedules. Based on our unannounced observations and on our review of trip summary sheets and trip vouchers, we found that for 48 (49%) of the 98 shift-hours of field observation, the drivers and their vehicles were unaccounted for since they were not observed to be present at their designated sites and were not assigned to any trips.

Further, our review of ACS's Transportation Voucher System (TVS) revealed that trip-data field information in TVS is either lacking or incorrect and that trip information from vendors rather than from ACS's own field personnel is entered in TVS. Transportation Services manuals have not been updated to include the prepayment-audit process, and the Financial

Services Unit (FSU) does not obtain backup documentation to confirm that trips using school buses and coaches actually took place when it conducts its prepayment audit of invoices.

Audit Recommendations

We make nine recommendations to ACS, among them that ACS should:

- Develop procedures to independently verify that all stand-by drivers are at the designated sites assigned by the vendor.
- Ensure that all completed trips provided by vendors are entered in TVS.
- Ensure the use of trip vouchers for all vendor-provided trips.
- Ensure that all field staff forward or fax to the ACS dispatchers the information from the trip vouchers as soon as possible so the dispatchers can then enter this information in TVS.
- Establish a procedure to periodically test the accuracy and reliability of data in TVS.
- Update its manuals to include procedures for prepayment audits. These procedures should then be communicated to appropriate agency staff.
- Require that when conducting its prepayment audits, FSU obtain backup documentation to confirm that trips took place for certain vendors.

ACS Response

In their response, ACS officials strongly disagreed with the audit's methodology and conclusions and did not respond to seven of the nine audit recommendations. After carefully reviewing the response, we have concluded that ACS's arguments are without merit. Their comments concerning our audit methodology are erroneous and appear to be based on a lack of understanding of our audit objective and audit testing. Accordingly, we stand by the audit's findings.

INTRODUCTION

Background

The Administration for Children's Services (ACS) was created in 1996 as the first New York City agency devoted solely to serving children and their families. ACS's mission is to ensure the safety and well-being of City children.

At its inception, ACS established the Transportation Services program. The Division of Transportation Services (Transportation Services) seeks to provide safe and efficient transportation for all children in its care and for all agency staff. Transportation Services provides vehicles and transportation resources as needed, 24 hours a day, seven days a week, including holidays.

To meet additional transportation needs and to supplement its own fleet of vehicles and drivers, ACS uses five vendors: Advance Transit Bus Company Inc., Apple Home Care LTD, Fleet Radio Dispatch (also known as Minutemen), Monsey New Square Trails Corporation, and Professional Charter Services, Inc. (Professional Charter). Each vendor provides a different type of vehicular transportation service, depending on the terms of the contracts or agreements. The types of transportation services can include: regular car service for children in special programs; 24-hour, 7-day-a-week standby car service to transport caseworkers and children for emergency and non-emergency needs; ambulette services for wheelchair-bound children; school buses for local trips; and coach bus service for long-distance trips.

When a trip is needed, caseworkers in the field throughout the five boroughs fax an approved Trip Authorization form to the ACS dispatcher on duty at either ACS headquarters in downtown Manhattan or at the Children's Center on First Avenue, Manhattan. This form details the specific trip information, such as pick-up location, caseworker's name, number of passengers, destination, etc. The ACS dispatchers then call the appropriate vendor and fax the Trip Request form to the vendor. The vendor then takes appropriate action to make sure the trip is completed.

ACS records and tracks the trips provided by Professional Charter, Advance Transit, Minutemen, Apple Home Care, and its own fleet in a computerized database called the Transportation Voucher System (TVS). This system records transportation information such as: the date of the trip; the name of the ACS caseworker using the service; the pick-up address, stops made, and final destination; the vehicle ID number and driver's name; and the estimated time of arrival (ETA), actual time of arrival, and trip-end time. Information from this database is used by ACS when it conducts its prepayment authorization audits of the vendors' invoices. The remaining vendor, Monsey, is tracked using ACS hard copy trip-request documentation maintained in its own files.

ACS receives invoices from each vendor describing the transportation services provided and the payments that are due. The Financial Services Unit (FSU) conducts a prepayment audit of these invoices to make sure that they are accurate and that ACS is not being overcharged. Once the prepayment audit is completed, FSU forwards a memorandum to the Payment Services

Unit authorizing payment.

In Fiscal Year 2005, ACS paid \$2.93 million for vehicular transportation services to the five vendors. Table I, below, shows the payments made by ACS to each of the five vendors in Fiscal Year 2005.

Table I

Payments Made to Vendors for
Vehicular Transportation Services Provided in Fiscal Year 2005

Transportation Vendor	Basis for Payment	Expenditures	Percent of Total Payments
Advance Transit Bus Company Inc.	Eight-hour stand-by shift	\$ 168,883	5.8%
Apple Home Care LTD	Individual trip	79,025	2.7%
Fleet Radio Dispatch (aka Minutemen)	Individual trip	15,544	0.5%
Monsey New Square Trails Corporation	Individual trip	106,313	3.6%
Professional Charter Services, Inc.	Eight-hour stand-by shift	2,561,201	87.4%
Total		\$ 2,930,966	100%

Objective

The audit objective was to determine whether ACS has adequate controls in place over payments to its five transportation service vendors.

Scope and Methodology

The scope period of this audit is Fiscal Year 2005 (July 1, 2004–June 30, 2005). We reviewed ACS payments during the fiscal year to the five transportation vendors and the ACS controls governing them during this period. Audit fieldwork was extended through February 22, 2006, to include the field observations noted below.

To obtain an understanding of the ACS controls over its payments to its transportation services vendors, we:

- interviewed officials and staff from ACS's Office of Administrative Services, the Division of Financial Services, the Division of Transportation Services, the Division of Fiscal Services, the Invoice Processing Unit and Professional Charter, ACS transportation dispatchers, and ACS field caseworkers;
- reviewed the terms of each vendor's contract or purchase order agreement relating to services to be provided and payment requirements, ACS's Transportation Services procedures manuals dated June 21, 2002, and relevant provisions of Comptroller's Directive #1.

As part of our review of controls over payments, we specifically assessed the reliability

of the data maintained in TVS for validity, accuracy, and completeness. A random sample of 52 trips was selected from ACS's hard copy transportation files, selecting one trip from every seventh day of the month beginning with July 7, 2004, and continuing through June 30, 2005. Documentation for each sampled trip included the Trip Authorization form (the initiating document) along with the corresponding Trip Request form (the ACS document sent to the vendor). For the 52 trips, we compared data entered on the hard copy files for 14 items that we considered significant and compared them to their corresponding data-field entries in TVS. The 14 data-field entries were: trip date, trip authorization number, trip voucher number, time needed for trip, caseworker's name, pick-up address, final destination, time trip was called in, ETA, time car arrived, time worker was picked up, trip-end time, driver's name, and vehicle number.

We also randomly selected 25 voucher number entries recorded in TVS from a total population of 11,863 for Fiscal Year 2005, and compared the 14 data-fields from TVS against the Trip Request forms and the Trip Authorization forms in the files.

To determine whether ACS is paying for actual trips and shifts that took place and whether the amounts paid were correct, as stipulated by the contracts and agreements, the five vendors were separated into two populations and the following tests were conducted.

Test of ACS Payments to the Four Smaller Vendors

The first population included the four smaller vendors that were paid \$369,765 in Fiscal Year 2005. We randomly selected 30 of the 550 payment vouchers, totaling \$17,642, and an additional 3 payment vouchers, totaling \$11,160, that were judgmentally selected because of their respectively large dollar amounts, for a sample total of \$28,802. The payments made to the vendors were compared against the trip information in the TVS database (except for Monsey, whose trip information is not entered in TVS) as well as hard copy documentation that included the Trip Request forms and payment vouchers.

Test of ACS Payments to Professional Charter

The ACS payments to Professional Charter were tested separately since they totaled some \$2.6 million (about 87 percent of the ACS payments in Fiscal Year 2005). We judgmentally selected the largest total Fiscal Year 2005 ACS payment to Professional Charter, \$235,104 made in May 2005 for services provided in March of that year, to test whether ACS is paying for shifts that took place and whether the amounts paid were correct according to the contract. Of the 749 shifts for which Professional Charter invoiced ACS in this payment, every third day and every fifth shift within each of those days was selected, for a total of 25 shifts. The 25 shifts had a total of 43 completed trips. We:

- determined whether the shifts that appeared in the invoices were included in the daily shift schedules prepared by Professional Charter and sent to ACS with the invoices;
- checked to see if the drivers assigned to these shifts also appeared in Professional Charter's employee hand-scan Time Card Report;

- looked to see if the trips that were included within those shifts actually took place by comparing the trip information appearing in the invoices against the trip vouchers; then
- checked to see if the amount charged by Professional Charter per shift was correct according to the contract by applying the contract rate per shift-hour to the total number of shifts billed.

To determine whether vehicles and their drivers were at their designated ACS field sites as indicated by the Driver/Vehicle Logs (shift schedules), which Professional Charter sends to ACS every day, we conducted six unannounced observations commencing on January 12, 2006, and ending on February 22, 2006, at four of the eight ACS field sites where Professional Charter vehicles are assigned: 152nd Street, Bronx; Bedford Avenue, Brooklyn; First Avenue, Manhattan (The Children's Center); and Archer Avenue, Queens. These field sites and shifts were selected because they were the busiest and had the greatest number of drivers per shift. During each observation, we recorded the vehicle number and times those vehicles were seen at the sites and compared the results of the observation to the shift schedules and the daily trip summaries received from Professional Charter and ACS's Trip Request and Trip Voucher forms.

The results of the above tests, while not statistically projected to the populations from which the samples were drawn, provided a reasonable basis for us to assess the adequacy of ACS's controls over its payments to the five transportation vendors.

We could not test timeliness of arrivals by vendor vehicles at ACS-requested locations because there was insufficient data available to assess the reasons for lateness and because we identified data-entry errors in the TVS system used to track vendor timeliness.

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 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 ACS officials during and at the conclusion of this audit. A preliminary draft report was sent to ACS officials on April 12, 2006, and discussed at an exit conference on May 8, 2006. On May 15, 2006, we submitted a draft report to ACS officials with a request for comments. We received a written response from ACS officials dated June 01, 2006.

In their response to the draft of this report, ACS officials did not respond to seven of the nine recommendations (they agreed with Recommendations 1 and 7) and took strong exception to the audit's methodology and conclusions, including the manner in which the Comptroller's Office conducted field observations. They stated, "We are troubled by both the methodology

used to analyze our work, and the findings and recommendations that follow from the analysis. As we will outline below, the methodology by which a key part of the audit was conducted was flawed, leading to inaccurate conclusions. The recommendations made by the Comptroller's Office, which followed from these conclusions, were therefore not all based on fact.”

After carefully reviewing the ACS response, we have concluded that ACS's arguments are invalid and are without merit. Their comments concerning our audit methodology are erroneous and appear to be based on a lack of understanding of our audit objective and audit testing. Accordingly, we have not altered the audit's findings. As the ACS response did not address seven of the nine recommendations, instead focusing on aspects of the findings themselves, we have included those responses and our related comments in the corresponding sections of the report so as to present and discuss fully the agency's position on the matters presented.

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

FINDINGS AND RECOMMENDATIONS

ACS has some controls in place over payments made to its transportation service vendors, such as prepayment audits of invoices, the segregation of the review and payment units, and procedures manuals that describe the request and authorization process for vehicle use. However, there are a number of control weaknesses that may result in vendors being paid for transportation services not provided, as indicated by the following:

- ACS fails to make sure that drivers and their vehicles are at their designated sites, as indicated in vendors' daily shift schedules.
- Not all trips provided by vendors are entered in TVS.
- ACS enters in TVS trip information from vendors rather than from its own field personnel.
- Trip data-field information in TVS is either lacking or incorrect.
- The Transportation Services manuals have not been updated to include the prepayment audit process.
- FSU needs to improve some controls over the review of vendor invoices, such as obtaining backup documentation to confirm that trips actually took place for certain vendors.

Based on our field observations, review of ACS documents and files, and interviews, we conclude that ACS needs to improve its controls over its transportation vendors to ensure that it pays only for transportation services it receives.

These findings are discussed in more detail in the following sections of this report.

ACS Fails to Ensure That Drivers and Their Vehicles Are at Their Designated Sites

On six different days encompassing 98 hours within assigned eight-hour shifts (shift-hours), we went to the four selected field sites where Professional Charter vehicles were assigned and observed whether the vehicles were present. For 48 (49%) of the 98 shift-hours of field observation, the drivers and their vehicles were unaccounted for since they were not observed to be present at their designated site and were not assigned to any trips, based on our review of trip summary sheets and trip vouchers.

Each day, ACS receives from Professional Charter a shift schedule of drivers and vehicles assigned to cover one of eight ACS field sites throughout the five boroughs. The number of drivers and vehicles assigned to shifts at each site is determined by ACS based on expected needs. Drivers and vehicles assigned to these sites are required to stand by at the site at

specified times and be ready to respond to any trip requested during their scheduled shift. When a trip is needed, an ACS dispatcher faxes Professional Charter a Trip Request form. Based on where the pick-up is supposed to take place, Professional Charter then dispatches one of their drivers. For example, if a pick-up is requested by a caseworker at the Bronx field site, the driver assigned to that site is notified immediately by Professional Charter and asked to make the pick-up. Professional Charter's dispatchers then call the ACS dispatcher back to report the driver's name, vehicle number, and ETA. The ACS dispatcher then relays that information to the caseworker who requested the trip.

ACS is not monitoring Professional Charter drivers and vehicles on stand-by shifts. It is relying exclusively on documentation received from Professional Charter and is not independently verifying that drivers and their vehicles are at their assigned sites. As a result, drivers are not always at their assigned site and ready to respond to trip requests, and ACS may be paying for stand-by shifts that are not covered by drivers and their vehicles and may not be available when a trip is needed.

Table II, following, shows the results of our observations.

Table II

Results of Six Field Observations of Professional Charter Vehicles
Assigned to ACS Field Sites

Dates Observed	Field Sites	Time of Observations	Total No. of Shift-Hours* Assigned by Vendor	No. of Hours Vehicles and Drivers Were Observed or Trips Were Assigned	No. of Hours Vehicles and Drivers Not Observed or Not Assigned to a Trip
Jan. 12, 2006	First Ave., Manhattan	3:25 p.m. to 5:25 p.m.	9.5	6	3.5
Jan. 18, 2006	Bedford Ave. Brooklyn	3:00 p.m. to 5:35 p.m.	9.5	3.5	6
Feb. 15, 2006	Archer Ave., Queens	8:35 a.m. to 4:00 p.m.	20.5	11	9.5
Feb. 16, 2006	First Ave., Manhattan	9:30 a.m. to 5:05 p.m.	27.5	14.5	13
Feb. 21, 2006	Bedford Ave. Brooklyn	10:10 a.m. to 4:15 p.m.	12	5	7
Feb. 22, 2006	E151 Street, Bronx	9:00 a.m. to 4:10 p.m.	19	10	9
Total 6			98	50 (51%)	48 (49%)
Dollar Amount- Shift-Hours x Hourly Rate (\$39.17)			\$ 3,839	\$ 1,959	\$ 1,880

*A shift-hour is calculated by counting the number of drivers scheduled for each hour observed.

Based on the results of our observations and the review of the invoices for these periods, ACS was overcharged \$1,880 for 48 shift-hours that were not covered by drivers and their vehicles. By exclusively relying on Professional Charter's documentation of shift schedules, ACS will continue to overpay for stand-by shifts that are not being covered.

ACS Response: "Because Comptroller staff did not observe PCS (Professional Charter) vehicles parked outside the sites in question, the shift hours were unaccounted for. This conclusion is flawed because it assumes . . . (1) the driver is on a trip; or (2) the driver is not at work. In fact, there is a third explanation: it is illegal for vehicles to remain parked in front of some of the sites in question (for example, there is a bus lane in front of the Children's Center, located at 492 First Avenue). Vendor drivers have no parking permits, no designated spaces in which to park, and are subject to the same parking limitations as the general public for parking. Given this, it is entirely likely that on a regular basis, the PCS drivers can only find parking several blocks away from the assigned site."

Auditor Comment: We disagree with ACS's explanation for the missing drivers. We made every effort to find the assigned drivers and their vehicles during our observations, taking into account the parking limitations that drivers were under. As we stated to ACS officials at the exit conference, our observations were not restricted to the designated sites; we also drove around the vicinity looking for the assigned vehicles.

From its response, ACS seems to be implying that parking limitations generally prevent drivers from parking near the designated sites. However, we did not find this to be the case during our observations. For example, the Children's Center at 492 First Avenue that is cited in the response has a parking lot adjacent to the building with parking spaces that could be available to the drivers. In fact, at times we observed drivers in their vehicles, parked and waiting in that parking lot. During our other observations, we were able to find legal parking for our own vehicles across the street or within eyesight of the various ACS facilities.

ACS Response: "Second, the period during which the Comptroller's Office chose to conduct field research coincided with the period during which ACS had the highest volume of reports of abuse/neglect in its history. . . . That there would have been some confusion regarding where vehicles could park during a crisis of this magnitude is hardly surprising."

Auditor Comment: We believe that ACS is overstating the impact that the increase in agency workload had on the drivers in question. Based on our review of the 29 drivers on duty during our observations (see Appendix D of the ACS response, page 99), 22 (76%) of the 29 drivers had two trips or less (four drivers had no trips, eight drivers had one trip, and 10 drivers had 2 trips) during their entire eight-hour shift.

ACS Response: "Since the drivers may have two legitimate excuses for not being parked at the facility in question – (1) they may be on a trip; and (2) they may have a legitimate need to park elsewhere – the Comptroller's Office methodology for evaluating the performance of the vendor is flawed. Rather than assessing the vendor's parking location

of its vehicles as a proxy for performance, a more accurate measure of the vendor's performance would have been to assess whether all transportation requests were fulfilled by the vendor. . . . Moreover, despite the sharp increase in demand on transportation services during this period, the vendor was able to meet the request for transportation . . . within one hour 86% of the time, and within 45 minutes 73% of the time—a truly remarkable accomplishment in light of the serious crisis we were facing.”

Auditor Comment: ACS appears to misunderstand the objective of this audit. Our objective was to determine whether ACS has adequate controls in place over *payments* to its transportation vendors. The payments to Professional Charter are contingent on standby shifts and not on trips completed. We identified this as an area of high vulnerability since ACS did not have adequate controls to reasonably assure that shifts were fully covered by the vendor. Therefore, our examination included tests to determine whether assigned drivers and their vehicles were accounted for, being either on trips or on standby at their designated sites or near the vicinity. ACS's contention that our methodology was flawed is therefore in error since it appears to be based on a misunderstanding of our audit objective.

In addition, it is noteworthy that the ACS response cited statistics indicating that Professional Charter drivers picked up their passengers within 45 minutes only 73 percent of the time, calling it a “truly remarkable accomplishment in light of the serious crisis we were facing.” ACS is responsible for determining how many drivers and vehicles it will need; accordingly, ACS would be expected to ensure that there is a sufficient number of drivers available so that pickups can be made on time. Nonetheless, drivers were at least 15 minutes late 27 percent of the time. (The contract requires that pickups be made within 30 minutes.) We believe that this high degree of lateness further calls into question whether all assigned drivers were present during their shifts as required.

ACS Response: “In fact, there are multiple checks and balances in place to ensure that the vendor is providing the services for which it is contracted.

“For each trip that a PCS driver makes, he or she must complete a Transportation Voucher, detailing the date, beginning location, destination, and length of the trip, among other details. . . . This serves as one ACS verification that PCS [Professional Charter] services were delivered as requested. We have gathered vouchers associated with the shifts observed by the Comptroller's Office, and it demonstrates that all but four of the assigned staff did complete at least one trip during their shift, indicating that they were in fact on the job and working on the day of field observation (See Appendix [C and] D).”

Auditor Comment: In its response, ACS is inflating the significance of the transportation voucher in ensuring that drivers are accounted for. During the course of the audit, we reviewed the same trip vouchers contained in Appendix C and D of the ACS response (see pages 46 through 99). However, these vouchers account only for the time that drivers are completing trip requests; they cannot be used to account for the time that drivers are not on a trip. As shown in Appendix D, these drivers had between zero and

four trips during their eight-hour scheduled shifts. When not on a trip, the drivers are supposed to be standing by at their designated ACS sites, but based upon our observations they were not in the vicinity as required by ACS.

ACS Response: “In addition to the Transportation Vouchers, ACS has the ability to request timecards of the vendors, and has done so for the period in question (See Appendix A). We found that, of the 31 drivers who were on duty during the times at which the Comptroller’s Office conducted its field audit, 27 were assigned trips during their shifts. Four had no trips during their shifts, but were noted as punching in.”

Auditor Comment: Once again, the ACS response is inaccurate. The vendor timecards in Appendix A of the ACS response are no indication that the drivers were at their designated ACS sites during their shifts. The timecards indicate only that the assigned drivers appeared for work at the vendor’s worksite. Furthermore, as shown in Table II, and as we state in the report, our analysis takes into account those times when drivers were not at the designated sites because they were completing a trip request.

ACS Response: “Beyond documentation, our transportation dispatchers are also responsible for identifying gaps in services . . . this information is passed on to ACS’s Financial Services Unit, so that ACS will not pay for services it did not receive. Extensive evidence of this chain of communication was provided during the audit and is attached here as Appendix B for your review.”

Auditor Comment: It appears that ACS is confusing troubleshooting and responding to complaints with contract monitoring. Instead of being proactive by establishing effective controls to ensure that the vendor complies with all provisions of its contract—specifically, providing the required number of drivers and vehicles on shifts—ACS is being reactive by addressing service complaints after the fact, when drivers have not been available when called on.

Our review of a number of documents shown in Appendix B of the ACS response (for example, see pages 20 and 29) supports the conditions that we found during our observations, namely, that some assigned drivers and vehicles on standby are not accounted for. However, it should be noted that these instances came to ACS’s attention because ACS employees complained when service requests were not fulfilled or drivers and vehicles were not observed on duty. It is likely that ACS was unaware of other instances in which drivers and vehicles on standby were not accounted for simply because no complaints were lodged.

ACS Response: “We believe that these three methods of monitoring the contract—Transportation Vouchers, review of PCS timecards, and ACS staff feedback to the Transportation Department- have been sufficient means of monitoring the contract. However, to assuage any concerns, ACS will require that all vendor vehicles be equipped with GPS technology in future contracts.”

Auditor Comment: For the reasons stated in the sections above, we disagree with ACS’s

contention that current monitoring methods are sufficient, specifically in relation to those contractors who are paid based on drivers assigned per shift. Although ACS disagreed with our finding, ACS obviously recognizes that its monitoring methods in this area are insufficient, as evidenced by its plans to require that all vendor vehicles be equipped with GPS technology. This technology will allow ACS to, among other things, independently verify that all assigned drivers are either completing trips or are at their designated sites.

Recommendation

1. ACS should develop procedures to independently verify that all stand-by drivers are at the designated sites assigned by the vendor.

ACS Response: ACS partially agreed and stated, “ACS will require that all vendor vehicles be equipped with GPS technology in future contracts When the GPS system is fully in place, the billing and monitoring systems in place will be overhauled”

Trip Information in TVS Is Unreliable For Performing Prepayment Audits of Invoices

FSU relies on the trip information in TVS to conduct its prepayment audits; however, the TVS information is not sufficiently accurate or reliable for use in performing prepayment audits for the following reasons:

Not All Trips Provided by Vendors Are Entered in TVS

According to the Transportation Procedures manual (Procedure No: 1-02, Section IV, Part B, Paragraph 5), “Transportation Dispatchers will enter all trip itinerary and all trip information into the Transportation Voucher System.” ACS is not entering all trip information in TVS for its five vendors. Specifically, TVS does not include any trip information for Monsey. In addition, 70 percent of the sampled trips for Apple Home Care was not entered in TVS. Trip vouchers are not always used for these two vendors, resulting in trip information not being entered in TVS. As a result, trip information in TVS is not a reliable or efficient source of information for use in performing prepayment audits of invoices by FSU.

Table III, following, shows the 22 (23%) trips that were not entered in TVS of the 95 sampled trips.

Table III

Sampled Trips Not Entered in TVS

Transportation Vendor	Trips Tested	Trips Not Entered in TVS
Apple Home Care	10	7 (70%)
Minutemen	1	0
Monsey Square	7	7 (100%)
Advance Transit	34	3 (8.8%)
Professional Charter	43	5 (11.6%)
Total	95	22 (23%)

According to the director of Transportation Services, the reason trip information is not always entered in TVS by the dispatchers is that Monsey and Apple Home Care are used infrequently, especially Monsey, which is used mainly during the summer months. Although this may be the case, TVS is nonetheless the main source of trip information for conducting prepayment audits. Therefore, it is important that ACS ensure that all completed trips are entered in TVS.

ACS Response: ACS states that “certain trips provided in response to scheduled requests are not, as a matter of course, entered into TVS. This is because the billing process for these types of trips is a separate process from the one to which TVS is linked. In other words, while such trips are not entered into TVS, they were never meant to be—and there is no financial consequence for this, because the billing process for these trips relies on a reconciliation of vendor documentation of the trip with ACS staff documentation for the trip.”

Auditor Comment: ACS is incorrect. First, according to ACS procedures, as stated in this section of the report, all trip information is to be entered in TVS. Second, trips made in response to scheduled requests should be entered into TVS, since these trips are paid on a per-trip basis and since information from TVS is needed to reconcile the invoices submitted by the vendors. (Both Apple and Monsey were paid on a per-trip basis. As noted in Table III above, 70 percent and 100 percent respectively of the Apple and Monsey trips that we tested were not entered in TVS.) Contrary to the ACS officials’ claim that ACS reconciles vendor documentation of scheduled trips with ACS staff documentation that a trip took place, no evidence of such reconciliations being performed was provided to us, either before or subsequent to the exit conference for this audit.

ACS Enters into TVS Trip Information from Vendors Rather Than from Its Own Field Personnel

For two of the five vendors—Professional Charter and Advance Transit—ACS dispatchers are entering trip information in TVS that is received from the vendors rather than

information forwarded by ACS's own staff in the field where the trip requests originated. ACS is not insisting that staff in the field forward their trip logs and original trip vouchers once a month, as required by its procedures manual. In fact, the supervisor of the Invoice Processing Unit told us that they sometimes receive trip vouchers from the field staff for trips that took place over a year before. Instead, they rely on the trip information forwarded by the vendors for entry in TVS.

According to ACS dispatchers and the director of Transportation Services, Professional Charter and Advance Transit send to the dispatchers the Daily Trip Summary sheets at the end of each day. The Daily Trip Summary sheet information includes: the voucher number; the ACS dispatcher's name; trip time information, such as time the trip was requested, whether vehicle is at the field site, and if not, the estimated time of its arrival; the actual arrival time; the actual pick-up time; the trip-end time; the driver's name and vehicle number; the caseworker's name; the destination; and scheduled stops, if any. This information is then entered in TVS.

Since TVS is used to conduct prepayment audits of invoices, the trip information entered in TVS should be from the originating source in the field rather than from the vendor. Reliance on field information for prepayment audits would enable ACS to be more confident of the accuracy of its payments to vendors.

Furthermore, according to the contract terms, the vendors are required to call ACS dispatchers within 10 to 15 minutes of the pick-up and drop-off of the passengers. This information could be useful in verifying what actually took place by comparing it with the summary sheets that are sent by the vendors at the end of the day.

By not enforcing the requirement that vendors call ACS dispatchers about every trip, ACS is forfeiting an effective control over the monitoring of trip information that eventually gets entered in TVS.

ACS Response: "The TVS system includes between 28 (trip including one stop) and 54 (trip including three stops) per record or more, depending on the number of stops included in the trip. Some of these fields include information obtained from vendor records, but many fields—including the date and time of the transportation request, and verification of whether or not the request was filled—are obtained from documents that are completed and/or signed by the ACS worker, and in some instances, the Case Manager or supervisor."

Auditor Comment: Only the initial trip request information is entered in TVS using ACS documents. In their response, ACS officials contradict statements made to us by ACS dispatchers, the supervisor of the Invoice Processing Unit, and the Director of Transportation Services. Each clearly stated that information regarding whether or not a trip was completed is obtained from the vendor, not ACS staff, and is entered in TVS.

Trip Data-Field Information in TVS Is either Incorrect or Lacking

Twenty seven (52%) of the 52 randomly sampled trips entered in TVS had at least one

error or lacked information in the 14 trip data-fields tested. As a result, ACS may not be able to conduct a complete review of the vendors’ invoices when performing prepayment audits.

Upon further analysis, 8 (57%) of the 14 TVS trip data-fields tested had incorrect or lacking information. Table IV, following, shows the eight data fields with incorrect or lacking information.

Table IV

Eight TVS Data Fields with Incorrect or Lacking Information

Data Fields with Problems	No. of Trips with Incorrect Information	No. of Trips with Lacking Information	% of Trips with Incorrect or Lacking Information*
Date of Trip	2	0	3.8%
Time Trip Called in	2	0	3.8%
Estimated Time of Arrival	1	2	5.8%
Time Vehicle Arrived	1	15	30.0%
Pick-up Time	1	11	23.1%
Trip End Time	1	11	23.1%
Driver’s Name	7	1	15.4%
Vehicle Number	7	1	15.4%

*Out of the 52 sampled trips

According to the director of Transportation Services, these errors and omissions were due to entry errors made by its dispatchers. Although this may be true, ACS has no procedure in place to periodically review the data that is entered in TVS. Therefore, when FSU conducts prepayment audits of invoices, the uncorrected and omitted information in TVS will continue to be unreliable in comparisons with trip information received from the transportation vendors. This situation may result in vendors being overpaid.

ACS Response: “Making generalizations about our performance based on a sample of less than 1% is not a fair reflection of our work.”

Auditor Comment: The Comptroller’s Office is not making generalizations about ACS’s performance; rather, we performed a test to determine whether we could rely on the data contained in TVS. The frequency and consistency of errors and omissions found in our sample provided sufficient evidence that the data in TVS is unreliable and could cause vendors to be overpaid. The results of our test were also corroborated by ACS personnel we interviewed who use TVS. Accordingly, we stand by our finding.

ACS Response: “The Comptroller’s Office alleges that . . . all of the data is lacking or incorrect, when in fact, only *some* of the 28+ data fields per record were missing for the audited records, and some of the missing data was not critical for payments.

“The TVS system was originally designed to capture information that is no longer needed for the billing process. . . . The current billing system, however, depends only on vendor drivers reporting their assigned shifts—vendors are now paid per shift, not per trip.”

Auditor Comment: ACS’s response is inaccurate in stating that vendors are now paid per shift—not per trip—since three of the five transportation vendors are still being paid on a per-trip basis. In addition, ACS is not responding to the point of this finding: that information entered in TVS should be accurate and complete. As recommended in Recommendation 6, below, ACS needs to establish a procedure to periodically test the accuracy and reliability of the data entered in TVS.

Recommendations

ACS should:

2. Ensure that all completed trips provided by vendors are entered in TVS.
3. Ensure the use of trip vouchers for all vendor-provided trips.
4. Ensure that all field staff forward or fax to the ACS dispatchers the information from the trip vouchers as soon as possible so the dispatchers can then enter this information in TVS.
5. Enforce the requirement that vendors call the ACS dispatcher to report pertinent trip information during each trip within the time period required by the contracts.
6. Establish a procedure to periodically test the accuracy and reliability of data in TVS.

ACS Response: ACS did not respond to these recommendations, but rather addressed aspects of the finding, as included above.

The Transportation Services Manuals Need To Be Updated

Comptroller’s Directive #1 (Directive #1) requires that each City agency maintain written policies for agency programs, that these policies be properly communicated to the appropriate agency staff, and that these policies be reflected in formal, written operating procedures, which should also be communicated to the appropriate agency staff. In addition, Directive #1 requires that these policies and procedures be periodically reviewed and updated as needed. Although ACS has transportation services procedure manuals that cover the use of contracted transportation vendors, these manuals do not cover procedures for the prepayment audits to verify the accuracy of invoices received from its vendors. As a result, the lack of written procedures may impact the effectiveness and efficiency of the prepayment audits and may result in overpayments to vendors.

Recommendation

7. ACS should update its manuals to include procedures for prepayment audits. These procedures should then be communicated to appropriate agency staff.

ACS Response: ACS agreed stating, “The current pre-payment audit has recently evolved. ACS will codify it into procedure.”

FSU Needs To Improve Some Controls Over the Review of Vendor Invoices

For 13 (37%) of the 35 payment vouchers that we reviewed and that had received prepayment audits by FSU, there was no backup documentation, such as trip vouchers, to confirm that the billed trips actually took place or that they had been cancelled within the period for which payment is required. These 13 payment vouchers were for trips using school buses and coaches provided by Monsey and Apple Home Care.

When we asked FSU staff to provide us documents they use to confirm that trips took place or were cancelled, they said that they didn’t have any such documents and that we would have to request the backup documentation from the caseworkers’ files in the field, where the trip requests originated. We requested the backup documentation from the field offices; for 6 of the 13 trips, the field offices were unable to provide us with sufficient evidence to confirm that the trips actually took place. For 7 the 13 trips, some evidence existed that these trips took place or had been cancelled too late to avoid payment. The evidence that trips took place or were cancelled included attendance sheets or some other record in the caseworker’s file. By not requiring that all payment vouchers for billed trips have backup documentation as evidence of a trip’s having taken place or having been cancelled too late, ACS may be overpaying vendors.

ACS Response: “The Comptroller’s Office . . . implies that ACS does not currently obtain back up documentation to confirm that trips actually took place. This is false.

“In fact, for each trip completed, ACS requires that the ACS employee complete a transportation request, which must be signed by the supervisor, and the vendor and the ACS employee sign a Transportation Voucher. When the vendor submits an invoice to the fiscal department, copies of the relevant vouchers are attached to the invoices. While these copies are obtained via the vendor, they are copies of documents that are also maintained in the ACS administrative offices. Obtaining the same documents twice would be a duplication of effort.”

Auditor Comment: As reported above, we had to go to various ACS field offices to obtain backup documentation to confirm that the trips in our sample provided by Monsey and Apple Home Care actually took place. Neither the ACS field offices nor the vendors forwarded this information to FSU. In addition, transportation vouchers are not always used by ACS staff for trips performed by these two vendors.

In addition, our review of 35 payment vouchers totaling \$263,906 revealed that one

payment totaling \$185 was incorrect. This error was made in a payment to Minutemen, which had applied an outdated rate schedule to its billing.

Recommendations

ACS should:

8. Require that when conducting its prepayment audits, FSU obtains backup documentation to confirm that trips using school buses and coaches took place.
9. Ensure that FSU apply the correct rate schedule when reviewing invoices submitted by vendors.

ACS Response: ACS did not respond to these recommendations, but rather addressed aspects of the finding, as included above.



ADMINISTRATION FOR CHILDREN'S SERVICES
FINANCIAL SERVICES
150 William Street - 10th Floor
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JOHN B. MATTINGLY
Commissioner

SUSAN NUCCIO
Deputy Commissioner

June 01, 2006

Mr. John Graham
Deputy Comptroller, Audits Accountancy and Contracts
1 Centre Street
New York, NY 10007-2341

Dear Deputy Comptroller Graham:

I am in receipt of the Draft Audit Report on the Administration for Children's Services Controls over Payments to Transportation Vendors MJ05 – 138A. At ACS, transportation services play a vital role in our ability to ensure the safety of children. Approximately 60 times each day, we use these services to remove children from dangerous homes, respond to Instant Response Team (IRT) requests, and to transport children to Family Court, the doctor, or to mental health care.

While Children's Services appreciates the input of the Comptroller's Office regarding the operations of our transportation contracts, we are troubled by both the methodology used to analyze our work, and the findings and recommendations that followed from the analysis. As we will outline below, the methodology by which a key part of the audit was conducted was flawed, leading to inaccurate conclusions. The recommendations made by the Comptroller's office, which followed from these conclusions, were therefore not all based on fact. In addition, the recommendations imply that a sub-standard level of practice is in place at ACS, when in fact, as we will discuss below, quite the opposite is true. Finally, as we will discuss, several of the recommendations are based on erroneous sets of assumptions.

Scope and Methodology

Children's Services is satisfied with the manner in which the Comptroller's Office audited contracts, but takes issue with the manner in which the Comptroller's Office conducted (1) field observations, and (2) the audit of the Transportation Voucher System (TVS)

1. Field Observation

First, the Comptroller's Office concluded that, because Comptroller staff did not observe PCS vehicles parked outside the sites in question, the shift-hours were unaccounted for. This conclusion is flawed because it assumes that, if a vehicle was not observed at the site, there are only two explanations: (1) the driver is on a trip; or (2) the driver is not at work. In fact, there is a third explanation: it is illegal for vehicles to remain parked in front of some of the sites in question (For example, there is a bus lane in front of the Children's Center, located at 492 First Avenue.). Vendor drivers have no parking permits, no designated spaces in which to park, and are

John Graham
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subject to the same parking limitations as the general public for parking. Given this, it is entirely likely that on a regular basis, the PCS drivers can only find parking several blocks away from the assigned site.

Second, the period during which the Comptroller's Office chose to conduct field research coincided with the period during which ACS had the highest volume of reports of abuse/neglect in its history. During the month of January, 2006, ACS received 7,677 reports of abuse/neglect, compared to 4,884 reports during the same period in 2005 – an increase of over 57%; during the month of February, ACS received 6,139 reports of abuse/neglect, compared to 4,197 in 2005, an increase of over 46%. This doubling of the volume of reports placed a great strain on all of ACS's field operations, including the Transportation Department. The department responded to the spike in demand for transportation by ensuring that more cars would be available to transport children away from dangerous, even life-threatening home situations. For the period of January 1 to May 31, 2006 ACS Transportation completed a total of 21,907 child and ACS staff transport requests; averaging 145 trips per day. That there would have been some confusion regarding where vehicles could park during a crisis of this magnitude is hardly surprising.

In any case, since the drivers may have two legitimate excuses for not being parked at the facility in question – (1) they may be on a trip; and (2) they may have a legitimate need to park elsewhere – the Comptroller's Office methodology for evaluating the performance of the vendor is flawed. Rather than assessing the vendor's parking location of its vehicles as a proxy for performance, a more accurate measure of the vendor's performance would have been to assess whether all transportation requests were fulfilled by the vendor. In fact, all requests for transportation made during the period in question were fulfilled by the vendor. Moreover, despite the sharp increase in demand on transportation services during this period, the vendor was able to meet the request for transportation (many of which involved trips originating at a location other than the site in question) within one hour 86% of the time, and within 45 minutes 73% of the time – a truly remarkable accomplishment in light of the serious crisis we were facing.

Measuring PCS against these standards would more accurately reflect whether they are fulfilling the terms of their contract, since this is the key aspect of the service upon which ACS and the children and families we serve rely. Measuring a driver's ability to find parking near the site does not speak to the quality of the service provided. Assessing performance based upon actual transportation service provided is the accurate gauge of contract performance, and against that proper measure, PCS performed far beyond any reasonable expectation.

2. Transportation Voucher System audit

The methodology behind the audit of the Transportation Voucher System (TVS) was flawed in two respects. First, the audit included a sample of only 52 records for Fiscal Year 2005. This is an extraordinarily small sample size considering the volume of vouchers entered into the system. In Fiscal Year 2005, 20,116 trips were completed. The 52 records reviewed for the audit represent 0.25% of the overall data. Making generalizations about our performance based on a sample of less than 1% is not a fair reflection of our work.

Findings

ACS contests the Comptroller's findings. Many of them are based on a flawed understanding of ACS operations, and/or faulty logic, as outlined below.

1. The Comptroller's Office alleges that "ACS fails to make sure that drivers and their vehicles are at their designated sites, as indicated in vendors' daily shift schedules." In fact, there are multiple checks and balances in place to ensure that the vendor is providing the services for which it is contracted.

For each trip that a PCS driver makes, he or she must complete a Transportation Voucher, detailing the date, beginning location, destination, and length of the trip, among other details. This form **must** be signed by the ACS staff using the service. This serves as one ACS verification that PCS services were delivered as requested.

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We have gathered vouchers associated with the shifts observed by the Comptroller's office, and it demonstrates that all but four of the assigned staff did complete at least one trip during their shift, indicating that they were in fact on the job and working on the day of field observation (See Appendix D).

In addition to the Transportation Vouchers, ACS has the ability to request timecards of the vendors, and has done so for the period in question (See Appendix A). We found that, of the 31 drivers who were on duty during the times at which the Comptroller's Office conducted its field audit, 27 were assigned trips during their shifts. Four had no trips during their shift, but were noted as punching in.

Beyond documentation, our transportation dispatchers are also responsible for identifying gaps in service. For example, if a PCS driver has been assigned to a site but does not appear to be covering it, the ACS transportation dispatcher notifies his or her supervisor and the director of the Transportation Department. The end-users of the transportation services – social workers and other ACS staff – also make prompt complaints when PCS services fail to meet their needs. When applicable, all of this information is passed on to ACS's Financial Services Unit, so that ACS will not pay for services it did not receive. Extensive evidence of this chain of communication was provided during the audit and is attached here as Appendix B for your review.

We believe that these three methods of monitoring the contract – Transportation Vouchers, review of PCS timecards, and ACS staff feedback to the Transportation Department -- have been sufficient means of monitoring the contract. However, to assuage any concerns, ACS will require that all vendor vehicles be equipped with GPS technology in future contracts.

2. The Comptroller's Office alleges that, "Not all trips provided by vendors are entered in TVS." This statement assumes that TVS was meant to capture every single trip provided by a vendor. In fact, this is not the case.

Certain trips provided in response to scheduled requests are not, as a matter of course, entered into TVS. This is because the billing process for these types of trips is a separate process from the one to which TVS is linked. In other words, while such trips are not entered into TVS, they were never meant to be – and there is no financial consequence for this, because the billing process for these trips relies on a reconciliation of vendor documentation of the trip with ACS staff documentation of the trip.

3. The Comptroller's Office alleges that, "ACS enters in TVS trip information from vendors rather than from its own field personnel." This implies that the sole source of information entered into TVS is vendor records, which is simply untrue.

The TVS system includes between 28 (trip including one stop) and 54 (trip including three stops) per record or more, depending on the number of stops included in the trip. Some of these fields include information obtained from vendor records, but many fields -- including the date and time of the transportation request, and verification of whether or not the request was filled -- are obtained from documents that are completed and/or signed by the ACS worker, and in some instances, the Case Manager or supervisor.

4. The Comptroller's Office alleges that, "Trip data-field information in TVS is either lacking or incorrect." This statement implies that all of the data is lacking or incorrect, when in fact, only *some* of the 28+ data fields per record were missing for the audited records, and some of the missing data was not critical for payment.

The TVS system was originally designed to capture information that is no longer needed for the billing process. The previous billing process relied upon trip-specific information, such as the time of the request and the time of the pick-up and drop-off. The current billing system, however, depends only on vendor drivers reporting their assigned shifts – vendors are now paid per shift, not per trip.

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Some of the information that the Comptroller's Office measured has absolutely no bearing on the payment to the vendor. It is information that was only valuable for the previous billing process. In the new methodology, there is no consequence if this information, including but not limited to such information as "estimated time of arrival," "pick up time," "trip end time," etc., is not data entered. Judging ACS's ability to maintain accurate payment records based on a measure of our ability to record information that does not actually have any bearing on payment once again misses the mark.

5. The Comptroller's Office alleges that, "The Transportation Services manuals have not been updated to include the prepayment audit process."

The current pre-payment audit process has recently evolved. ACS will codify it into procedure.

6. The Comptroller's Office alleges that, "FSU needs to improve some controls over the review of vendor invoices, such as obtaining back up documentation to confirm that trips actually took place for certain vendors." This statement implies that ACS does not currently obtain back up documentation to confirm that trips actually took place. This is false.

In fact, for each trip completed, ACS requires that the ACS employee complete a transportation request, which must be signed by the supervisor, and the vendor and the ACS employee sign a Transportation Voucher. When the vendor submits an invoice to the fiscal department, copies of the relevant vouchers are attached to the invoice. While these copies are obtained via the vendor, they are copies of documents that are also maintained in the ACS administrative offices. Obtaining the same document twice would be a duplication of effort.

Conclusion

Given the flawed methodology and erroneous findings that followed from it, I hope you understand how gravely concerned I am with this report. As we have outlined, a more precise audit of this area and the contracts they oversee would conclude that:

- **Requests for transportation are met by vendors**
All of the requests for transportation made during the times in which the Comptroller's Office conducted field observations were met by the vendor. This is the key indicator of performance for ACS because a child's life may literally depend on whether or not these transportation requests are met.
- **ACS sufficiently monitors its contracts with vendors**
Through a combination of sign-off on records by the ACS staff using the service and/or their supervisors and transportation department record-keeping, and user feedback, ACS is able to determine whether the vendor is performing to standard.
- **Procedures are in place to ensure that there are consequences if the vendor is not performing to expectations, such as the removal of individual drivers from shifts, and the withholding of payment**
As discussed and documented in the appendix, ACS has instituted a system of checks and balances that includes email or phone notification to the transportation department whenever the vendor fails to perform. ACS then follows up aggressively with the vendor to resolve the problem.
- **ACS has proactively decided to reduce paperwork and ensure the accuracy of billing by capitalizing on new GPS technology**
As in most large organizations, ACS's operations are constantly evolving. Prior to the Comptroller's audit, ACS made the decision to require that, in future contracts, all transportation vendors must have GPS capabilities in all vehicles. ACS has already implemented GPS tracking in its own fleet of vehicles, and is phasing in this requirement for its vendors as contracts come up for renewal or bidding. When the GPS system

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is fully in place, the billing and monitoring systems currently in place will be overhauled to account for this new, electronic source of information. As a result, many of the operational procedures and findings discussed in the report will soon be obsolete.

Children's Services is ready to discuss the audit report with you and your staff at any time. Please contact Tom Welsh at (212) 676- 8855 if you would like to set up a meeting for this purpose.

Sincerely,



Susan Nuccio
Deputy Commissioner, Financial Services