

AUDIT REPORT



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

Audit Report on Capital Improvements At Day Care Centers Required by Landlords' Lease Agreements with the Administration for Children's Services

ME03-118A

February 18, 2004



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 examined the adequacy of the Administration for Children's Services (ACS) oversight of the design phases for capital improvements at City-leased day care centers.

The results of our audit, which are presented in this report, have been discussed with ACS officials, and their comments have been considered in the preparation of this report.

Audits such as this provide a means of ensuring that City resources are used effectively, efficiently, and in the best interest of the public.

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/fh

Report: ME03-118A
Filed: February 18, 2004

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

**Audit Report on Capital Improvements
At Day Care Centers Required by
Landlords' Lease Agreements with
The Administration for Children's Services**

ME03-118A

AUDIT REPORT IN BRIEF

This audit of the Administration for Children's Services (ACS) reviewed the timeliness of the design phases for lease renewal upgrades at City-leased day care centers. ACS has oversight and regulatory responsibilities to ensure that all publicly funded programs for children meet federal, state, and City standards. ACS administers a total of 493 day care centers, including 133 in privately owned facilities. The Department of Citywide Administrative Services (DCAS) enters into lease agreements on behalf of ACS with landlords of these privately owned facilities. The lease agreements require that the landlords make upgrades and improvements to their properties. Although upgrades are the responsibility of the landlord, the ACS Lease Renewal Upgrade (LRU) unit approves the design and monitors the construction of the upgrades.

Audit Findings and Conclusions

ACS oversight of the design phases for lease renewal upgrades at City-leased day care centers needs improvement. The design phase begins at the receipt of the lease agreement from DCAS and continues to the beginning of construction. None of the 20 upgrades in our sample were completed in accordance with the time frames indicated in the standard lease agreement. While ACS officials told us that the time frames in the lease agreement may be unrealistic, ACS has not developed its own timeliness criteria. Neither has it developed an effective tracking system to monitor the progress of lease renewal upgrades during the design phase. The audit found that:

- ACS lacks documentation of critical events during the design phase, such as its approvals of the architect, the upgrade design, and the general contractor for the upgrade work.
- DCAS's lease agreements with landlords of privately owned facilities have not provided ACS with sufficient control to ensure that the landlords complete the LRUs in a timely manner.
- ACS provided inadequate oversight, which permitted extensive delays in various stages of the LRU design phase. These delays related, among other things, to delays by landlords in submitting asbestos abatement plans, delays by ACS in assigning engineers to review design documents, and inadequate communication between responsible ACS units.

Audit Recommendations

To address these issues we make seven recommendations. Among them, we recommend that the Administration for Children's Services:

- Establish a standardized method to organize the case files and to document the completion of each step of the LRU process.
- Continue working with DCAS to improve the lease agreements in order to give ACS more leverage to have the LRU completed in a timely fashion.
- Develop criteria to track the timeliness of landlords' design-phase actions, ACS's reviews of design documents, and landlords' responses to ACS review comments.
- Continue its efforts to ensure that engineers are assigned to the LRU unit to promptly review landlords' construction design documents.
- Establish better communication between the LRU and Program Operations units in obtaining temporary space for the day care centers to use during the construction phase of the lease renewal upgrades.

ACS Response

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 December 9, 2003, and was discussed at an exit conference on December 17 2003. We submitted a draft report to ACS officials on January 5, 2004 with a request for comments. We received a written

response from ACS officials on January 20, 2004. In its response, ACS agreed with all of the audit's recommendations. The full text of the ACS response is included as an addendum to this report.

INTRODUCTION

Background

The Administration for Children's Services (ACS) was created on January 10, 1996, as the first City agency solely devoted to serving children and their families. ACS recruits and trains foster parents, helps find permanent homes for children, investigates reports of child abuse, and provides family counseling, day care, early childhood education, and child support enforcement services in New York City. It provides those services through contracts with public and private community based organizations, which it oversees to ensure program quality, fiscal integrity, and child safety. ACS also has oversight and regulatory responsibilities to ensure that all publicly funded programs for children meet federal, state, and City standards.

In Fiscal Year 2001, ACS administered a total of 493 day care centers throughout New York City. Of those day care centers, 133 were in privately owned facilities. The Department of Citywide Administrative Services (DCAS) enters into lease agreements on behalf of ACS with landlords of these privately owned facilities. The lease agreements, which are usually for 10 to 20 years, require that the landlords make upgrades and improvements to their properties. Each lease renewal upgrade consists of landlord items and tenant items. It is the landlord's responsibility to complete the work for both of these components of the lease renewal upgrade. The landlord bears the full cost for the landlord items and is reimbursed by ACS for the tenant items upon completion of the upgrade. Although upgrades are the responsibility of the landlord, the ACS Lease Renewal Upgrade (LRU) unit approves the design and monitors the construction. ACS follows the procedures and methodology established in the *Lease Renewal Upgrade Procedures Manual* to manage the upgrades of City-leased day care centers.

Objective

The audit objective was to determine whether ACS ensured that the design phases of lease upgrades at day care centers were completed in a reasonably timely manner.

Scope and Methodology

The scope of this audit was City-leased day care centers whose lease renewal upgrades were substantially completed in Fiscal Year 2001 (July 1, 2000, through June 30, 2001).

To gain an understanding of the ACS lease renewal upgrade program, we reviewed the *Lease Renewal Upgrade Procedure Manual*, the Environmental Services Unit Procedures, and DCAS lease agreements. We also conducted walk-throughs of the Lease Renewal Upgrade unit with ACS officials. During the course of the audit, we interviewed ACS officials to obtain an understanding of ACS monitoring and tracking processes for lease renewal upgrades.

To select our sample of day care centers, we obtained a listing of the 133 leased facilities and an LRU tracking report. We selected those day care centers with upgrades that were “substantially completed” (i.e., those with only minor construction or decoration items remaining) in Fiscal Year 2001. These centers were selected over those substantially completed in Fiscal Year 2002, which were still active upgrades (due to the remaining items) when we began our audit. By focusing on centers whose upgrades were substantially completed in Fiscal Year 2001, we were able to review files for upgrades that were fully completed by the time we began our audit and thus showed the entire upgrade process.

The LRU tracking report indicated that 17 day care center upgrades were substantially completed during Fiscal Year 2001. In addition, in May 2003, we selected the three day care centers with the most recently completed upgrades in order to identify any significant changes in the way the upgrades were done. Therefore, we reviewed lease upgrades for a total of 20 day care centers. Those 20 centers represented 15 percent of the 133 privately owned facilities that are part of the ACS Lease Renewal Upgrade program.

To determine the time lapse between major events in the lease renewal upgrade process, we prepared a table of critical events from the time that ACS received a lease from DCAS to the beginning of construction, based on the *Lease Renewal Upgrade Procedures Manual* and Article 6 of the standard lease agreement. For the 20 day care centers in our sample, we created a time line detailing the lapsed time between each event. In addition, we endeavored to identify the reasons for delays in the lease renewal upgrade process.

This audit was conducted in accordance with generally accepted government auditing standards (GAGAS) and included tests of records and other auditing procedures considered necessary. The 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 ACS officials during and at the conclusion of this audit. A preliminary draft report was sent to ACS officials on December 9, 2003, and was discussed at an exit conference on December 17, 2003. We submitted a draft report to ACS officials on January 5, 2004, with a request for comments. We received a written response from ACS officials on January 20, 2004. In its response, ACS agreed with all of the audit’s recommendations. The full text of the ACS response is included as an addendum to this report.

FINDINGS AND RECOMMENDATIONS

ACS oversight of the design phases for lease renewal upgrades at City-leased day care centers needs improvement. The design phase begins at the receipt of the lease agreement from DCAS and continues to the beginning of construction. None of the 20 upgrades in our sample were completed in accordance with the time frames indicated in the standard lease agreement. The standard lease indicates that the design phase should be completed within 190 business days. However, for the 20 City-leased day care centers we reviewed, the design phases ranged from one year and seven months to eight years and three months. While ACS officials told us that the time frames in the lease agreement may be unrealistic, ACS has not developed its own criteria on timeliness. Neither has it developed an effective tracking system to monitor the progress of lease renewal upgrades during the design phase. The following sections detail the audit's findings:

ACS Lacks Documentation of Critical Events of Design Phase

Article 6 of the standard lease sets time frames for the completion of each step in the design process of the LRU. However, if a step within the process is not completed satisfactorily, the step is repeated until it is completed. During the course of the audit, we identified five critical steps in the design phase of the LRU and reviewed 20 case files to find evidence that these steps were completed. The five steps include:

- The Lease Renewal Kick-Off: A meeting between ACS, the landlord, and the board sponsoring the day care center to officially inform all parties that the lease has been signed and the upgrade should begin.
- Architect Approval: ACS informs the landlord that it has approved the landlord's selection of a design consultant.
- Design Submission: The landlord submits design documents to ACS for approval.
- Design Approval: ACS gives final approval of the design documents.
- General Contractor Approval: ACS approves the landlord's selection of a general contractor to begin construction.

Our review of 20 case files revealed that many key documents were missing from the files. Table I, below, shows the number of missing documents.

Table I

Missing Documents in Lease Renewal Upgrade Case Files

Event	Number of Times Relevant Document Not found	Percent Not Found
Lease Renewal Kick-Off	2	10%
Architect Approval	9	45%
Design Submission	5	25%
Design Approval	12	60%
General Contractor Approval	3	15%

Since these documents were not in the case files, we were unable to verify that ACS was adequately monitoring and expediting the design phase review process. Furthermore, without properly maintained files, ACS cannot adequately track and expedite its lease renewal upgrades, or demonstrate that it properly reviews and approves landlords' design phase actions.

Recommendation:

1. ACS should establish a standardized method to organize the case files and to document the completion of each step of the LRU process.

ACS Response: "ACS will assure the implementation of a standardized method to organize the case files and to document the completion of each step of the LRU process."

DCAS's Lease Agreements with Landlords of Privately Owned Day Facilities Have Not Provided ACS with Sufficient Control

Pursuant to Chapter 35, § 824, of the New York City Charter, DCAS negotiates real estate lease agreements for the City. ACS officials note that while they have had input as to the capital improvements that are required by the leases, they have generally had very little input on the administrative terms of DCAS's lease renewal agreements. However, ACS officials state that they have recently begun to have some input on the terms of these agreements.

ACS officials told us that the lease agreements DCAS negotiated with landlords may not have provided realistic standards on the timely completion of the upgrades. Based on our review of 20 case files, this concern appears worthy of review. For example, Article 6 of the standard lease agreement requires that construction design plans be approved within 90 business days from the selection of the architect. Our review of the case files for the centers in our sample showed that it took an average of two years and four months for the construction design plans to be approved.

ACS officials also told us that there had been little ACS could do under the lease renewal agreement to require landlords to complete the design phase of lease upgrades in a more reasonable time. ACS's only leverage—rarely used—was to withhold rent or to terminate the lease. According to ACS officials, there had been no incentive for the landlords to complete any LRU work in a timely fashion because the landlords received the rent increase upon signing the lease renewal agreement. The standard leases for the 20 centers in our sample ranged from 10 to 20 years.

ACS officials told us that they have begun to have input on the terms of the lease renewal agreements. They stated that they worked with DCAS on a lease renewal agreement signed on April 25, 2003, that stipulates that the landlord will receive the increase in the rental rate only upon substantial completion of the LRU work. This new lease gives ACS more influence over the landlord, since it is ACS that certifies substantial completion of the LRU work.

Recommendations:

2. ACS should continue working with DCAS to improve the lease agreements in order to give ACS more leverage to see that the LRU is completed in a timely fashion.

ACS Response: “ACS plans to request continued meetings with DCAS to improve the lease agreements in order to give ACS more leverage to have the LRU completed in a timely fashion.”

3. ACS should work with DCAS on the standard lease agreement to review the reasonableness and enforceability of the agreement's time frames for required landlord actions during the design phase.

ACS Response: “ACS will work with DCAS on the standard lease agreement to review the reasonableness and enforceability of the agreement's time frames for required landlord actions during the design phase.”

Delays in Various Stages of the LRU Design Phase

For the 20 City-leased day care centers we reviewed, the time periods from receipt of the lease to the beginning of construction ranged from one year and seven months to eight years and three months. During these periods, ACS paid to the landlords for these 20 centers a total of more than \$15 million in rent (ranging from about \$300,000 to \$1.5 million for each landlord).¹ None of the 20 upgrades in our sample were completed in accordance with the time frames

¹ This amount does not include any additional rent paid to the landlords for the 20 centers under the operating-expense escalation clause of the lease agreements.

indicated in the standard lease agreement. (The standard lease indicates that the design phase should be completed within 190 business days.) While ACS officials state that the time frames in the standard lease agreements may be unrealistic, ACS has not developed its own criteria for timeliness. Neither has it developed an effective tracking system that could be used to monitor the progress of lease renewal upgrades during the design phase. While ACS maintains an LRU tracking report, it is not designed for use as a day-to-day monitoring tool that could be used to promote timely completion of the LRU. An effective tracking system would identify delays in the landlords' submissions of design documents and prompt efforts by ACS to expedite the completion of the design phase. Other reasons for delays relate to the need for better communication between responsible ACS units and for the prompt assignment of engineers to review design documents.

While this audit focused on the design phase of the lease renewal upgrade process for the 20 centers in our sample, we note, based on ACS data as of November 13, 2003, that of the 133 City-leased centers, construction had been completed at 74 centers, and that the time periods from the lease agreement to the completion of construction ranged from one year and two months to eight years and five months. We also note that construction had not been completed for 41 of the 133 centers, and that the time periods from the lease agreement to November 13, 2003, ranged from one year and seven months to eight years and seven months. DCAS is conducting lease renewal negotiations with the landlords for 11 centers, and recently completed lease renewal negotiations for two centers. No upgrades were required in the lease renewal agreements for five centers.

Landlord's Submission of Asbestos Abatement Plans

A major concern of ACS is the abatement and containment of asbestos during the construction phase of the lease renewal upgrade. ACS officials told us that they strictly follow federal, state, and City regulations² and Article 25 of the standard lease agreement as they relate to asbestos abatement. As a result, the officials claimed, ACS would not approve asbestos abatement plans that do not fully comply with the regulations and Article 25.

According to Article 25 of the lease agreement, landlords have the option to use a prior asbestos survey report on their property that had been prepared for ACS. If they so elect, they are required to update the prior survey report, using the newest technology to identify possible asbestos problems or to provide assurance that the quantity levels are acceptable. A landlord can also conduct a new asbestos survey. Any report, whether an updated one or a new one, must be submitted to ACS. Before any construction can begin, ACS must approve the asbestos abatement plan. Asbestos abatement and containment are landlord items, and landlords are fully responsible for their cost.

² The City regulations were promulgated by the Department of Environmental Protection pursuant to § 24-146.1 of the Administrative Code of the City of New York.

While the standard lease agreement indicates that the asbestos abatement plan should be completed within 90 business days, for six (30%) of the 20 day care center case files we reviewed, the asbestos abatement approval process ranged from nine months to five years and two months. Because the case files were incomplete, we were unable to determine the time periods for the approval of these plans for nine of the centers. For five of the centers, there were no references in the case files to asbestos problems.

As an example, in one instance it took two years and five months (from December 1995 until May 1998) for the asbestos abatement plans to be approved. In December 1995, ACS ordered the landlord to provide an asbestos survey report in compliance with the lease agreement. In November 1996, ACS returned the landlord's asbestos abatement plans because no provisions were made for asbestos abatement of the roof. In January 1997, ACS, noting that two months had passed, requested the revised asbestos abatement plans. In March 1997, ACS noted that the landlord did not sample window casements that were suspected to have asbestos contamination. ACS returned the abatement plans and requested a revised plan. Again, in December 1997, ACS returned asbestos abatement plans because they did not address the previously cited suspect area. In March 1998, ACS requested changes because rooms with asbestos designations did not match the rooms identified on the plan. Finally, in May 1998, with all of the requested changes included, ACS approved the asbestos abatement plan.

Since many documents were missing in the case files for the six day care centers with asbestos abatement delays, we were unable to determine whether ACS or the landlords were primarily responsible for the delays. However, better ACS oversight of the asbestos abatement approval process could have helped limit these delays.

Construction Design Approval Process

The lease renewal upgrade process also requires that landlords submit construction design documents to ACS for review and approval. The construction design documents must be consistent with the requirements set forth in the *Lease Renewal Upgrade Procedures Manual*. An ACS engineer reviews the landlord's design documents to ensure that the design documents comply with the guidelines. If the design documents submitted by the landlord are not complete or fail to meet federal, state, and City regulations and standards, they are returned to the landlord for revision. The landlord must make the necessary changes and submit the revised design documents for review and approval. While the construction design approval process often occurs concurrently with the asbestos abatement process, it is a separate part of the design phase.

While the standard lease agreement indicates that the construction design plan should be completed within 90 business days, for seven (35%) of the 20 case files we reviewed, the construction design approval process ranged from 10 months to four years and 10 months. For one center, the construction design approval process was completed within the lease's time

frame; for five of the centers, there were no references in the case files to construction design approvals; and because the case files for seven of the centers were incomplete, we were unable to determine the time periods for the approvals for these centers.

As an example, in one instance it took almost two years for the final design documents to be approved. On May 1, 1996, the design documents were submitted to an ACS engineer for review. On May 31, 1996, an ACS engineer returned the design documents with a request for revisions. On December 19, 1996, the design documents were again submitted for review. On December 30, 1996, an ACS engineer returned the design documents and noted that with minor changes the documents would be acceptable and ready for bids. On June 18, 1997, ACS corresponded with the landlord and stated that design clarifications or interpretations should be noted on the construction design documents. On December 29, 1997, ACS wrote the landlord stating that the required design documents were still incomplete. ACS noted that there was a pattern of delays associated with this landlord. On February 18, 1998, ACS again returned the plans to the landlord, with comments for incorporation in the final plans. On April 16, 1998, ACS notified the landlord that because he did not submit revised final plans, he was in violation of the lease agreement, and that the City would stop paying rent beginning on April 23, 1998. On April 23, 1998, the landlord informed ACS that four sets of approved plans incorporating the February 18, 1998, revisions were sent to ACS by UPS on April 1, 1998, and were received and signed for by ACS on the following day. There is no explanation in the files of what happened to the plans once they arrived at ACS. A general contractor was selected in early October 1998; this indicated that the final plans had been approved.

As many documents were missing in the case files for the seven day care centers with construction design delays, we were unable to determine whether ACS or the landlords were primarily responsible for the delays. However, better ACS oversight of the construction design approval process could have helped limit these delays.

No Engineers Available to Review Construction Design Documents

Our analysis of the records revealed that in three of the 20 case files we reviewed, approvals of the construction design documents were delayed because no engineers were available in the LRU unit to review them. We were unable to determine the length of the delays this caused, but it was clear in these three case files that the fact that an engineer was not promptly assigned to these cases contributed to the design phase delays for those lease renewal upgrades. Subsequent to our review of the case files, we questioned ACS officials about this matter. They said that during the course of this audit ACS had assigned a full-time engineer to the LRU unit. The sole responsibility of this engineer is to review design documents. ACS also assigned another engineer on a part-time basis to review mechanical drawings. Prior to this audit, the LRU unit did not have its own engineers and asked the ACS Engineering unit to review construction design documents. The assignment of engineers to review construction design documents is one area that is completely under ACS control. An adequate assignment of

engineers to the LRU unit for design review purposes should help eliminate delays in the review of design documents.

Landlord Selection and ACS Approval of the General Contractor

Upon approval of the final construction design documents, ACS advises the landlord to proceed with the selection of a general contractor. Sealed bids must be obtained from at least three qualified contractors. The landlord analyzes the bids and recommends to ACS the lowest bidder that is qualified, responsive, and responsible. After a review of the bids, ACS notifies the landlord of its approval of the contractor. The landlord then awards the construction contract.

While the standard lease agreement states that the approval of a general contractor should be completed within 35 to 70 business days, for four (20%) of the 20 cases we reviewed, this approval process ranged from six months to two years and five months. For one center, the approval process was completed within the lease's time frames; for one case, there was no reference in the case file to the approval of a general contractor; and because the case files for 14 of the centers were incomplete, we were unable to determine the time periods for the approvals.

In one case it took more than a year before ACS approved the bid. On August 19, 1997, ACS approved the final construction design document and advised the landlord to select a general contractor. However, the landlord had some difficulty obtaining the required three bids. In fact, on November 12, 1997, due to a lack of response, the landlord canceled a site visit for prospective bidders. By December 23, 1997, the landlord had obtained three bids. However, these bids were reviewed, analyzed, and rejected by ACS because they did not comply with established Community Development Block Grant requirements.³ The landlord was then advised to seek new bids. A second set of bids, consisting of four construction bids, was opened on April 21, 1998. On June 1, 1998, ACS received a copy of the landlord's bid analysis. ACS reviewed the related documents and on November 16, 1998—more than five months after it received the bid analysis—ACS approved the selection of the lowest bidder.

As many documents were missing in the case files for the three day care centers with general contractor approval delays, we were unable to determine whether ACS or the landlords were primarily responsible for these delays. However, better ACS oversight of the approval of general contractors could have helped limit these delays.

Delays in Locating Swing Space for Day Care Centers

"Swing space" is the term used by ACS to refer to temporary space used by a day care center during the construction phase of a lease renewal upgrade. Swing space is usually at

³ Community Development Block Grants are federal grants that can be used to fund lease renewal upgrades of day care centers.

another day care center, a church, or even a public school. It must meet the same standards for operating a day care center as any other day care center. It must accommodate the day care center children, staff, furniture, and equipment until the upgrade is completed.

For seven (35%) of the 20 day care centers in our sample, the swing space resolution process ranged from one year and two months to two years and two months. Because the case file was incomplete, for one center we were unable to determine the time period for the resolution of the swing space issue. For 12 of the centers, there were no references in the case files to the need for swing space. For the seven centers for which we were able to quantify the delays, there was evidence of insufficient communication between the parties involved, particularly between the LRU unit and the ACS Program Operations unit, which is responsible for, among other things, ensuring that adequate swing space is available for day care centers during the construction phases of lease renewal upgrades.

For one of the seven centers, it took two years and two months to resolve the swing space issue. In May 1998, the LRU unit informed the landlord that it had approved a general contractor for this project. However, Program Operations had not arranged for or approved swing space for the day care center. In fact, it was not until July 1998 that Program Operations first noted that there was a problem finding suitable swing space. No evidence was found in the case files that Program Operations took any further action. In October 1999 the day care center, on its own, found swing space. At the end of October 1999, the Program Operations unit approved the swing space and requested that the LRU unit expedite the lease renewal upgrade. However, at the same time, the LRU unit notified Program Operations that because the swing space issue had not been resolved, the LRU unit could not approve either the asbestos abatement contractor or the general contractor. This communications problem led to further delays. In addition, because repairs to the roof could not be done in the winter, construction was scheduled to begin in April 2000. By then, however, the space that the day care center had previously found was no longer available. It was not until July 2000 that Program Operations resolved the swing space issue. Construction began on July 31, 2000.

Since many documents were missing in the case files for the seven day care centers that had delays in resolving swing space problems, we were unable to determine whether ACS or the landlords were primarily responsible for these delays. However, better communication between the Program Operations and LRU units, and better ACS oversight of the resolution of swing space issues could have helped improve the timeliness of the lease renewal upgrades.

Recommendations:

ACS should:

4. Develop criteria for the timeliness of landlord design phase actions, design document reviews by ACS, and landlords' responses to ACS review comments.

ACS Response: “Criteria for timeliness of cited recommendations will be computerized and tracked.”

5. Ensure that its design phase process is effectively tracked to promote timely lease renewal upgrades.

ACS Response: “The design phase process will be computerized and tracked.”

6. Continue its efforts to ensure that engineers are assigned to the LRU unit to promptly review landlords’ construction design documents.

ACS Response: “ACS will assure prompt review of the landlords’ construction design document by tracking the assignments of the engineering reviewer to promptly review the landlord’s construction design documents.”

7. Establish better communication between the LRU and Program Operations units on obtaining temporary space for the day care centers to use during the construction phase of the lease renewal upgrades.

ACS Response: “Efforts will be made to further improve communication between the LRU and Program Operations units on obtaining temporary space for the day care centers to use during the construction phase of the renewal upgrades.”



Administration for Children's Services

*Addendum
Page 1 of 9*

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

William C. Bell
Commissioner

January 16, 2004

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

Re: NYC Comptroller's Audit Report ME03-118A
Capital Improvements at Day Care Centers Required by Landlords' Lease
Agreements

Dear Mr. Brooks:

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

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

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

Sincerely,

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

William C. Bell

Attachments

City of New York Office of the Comptroller
New York City Administration for Children's Services
Capital Improvements at Day Care Centers Required by Landlords' Lease Agreement
Audit Number ME03-118A

**Administration for Children's Services
Response to Recommendations**

January 16, 2004

Recommendation 1

ACS will assure the implementation of a standardized method to organize the case files and to document the completion of each step of the LRU process.

Recommendation 2

ACS plans to request continued meetings with DCAS to improve the lease agreements in order to give ACS more leverage to have the LRU completed in a timely fashion.

Recommendation 3

ACS will work with DCAS on the standard lease agreement to review the reasonableness and enforceability of the agreement's time frames for required landlord actions during the design phase.

Recommendation 4

Criteria for timeliness of cited recommendations will be computerized and tracked.

Recommendation 5

The design phase process will be computerized and tracked.

Recommendation 6

ACS will assure prompt review of the landlords' construction design document by tracking the assignments of the engineering reviewer to promptly review the landlord's construction design documents.

Recommendation 7

Efforts will be made to further improve communication between the LRU and Program Operations units on obtaining temporary space for the day care centers to use during the construction phase of the renewal upgrades.

AUDIT IMPLEMENTATION PLAN
NEW YORK CITY COMPTROLLER'S AUDIT NUMBER ME03-118A
AUDIT REPORT ON CAPITAL IMPROVEMENTS AT DAY CARE CENTERS REQUIRED BY LANDLORDS' LEASE AGREEMENTS
WITH THE ADMINISTRATION FOR CHILDREN'S SERVICES

RECOMMENDATION # 1: ACS should establish a standardized method to organize the case files and document the completion of each step of the LRU process.

RESPONSIBLE MANAGER'S NAME: Hayden Blades

CORRECTIVE ACTIONS TO BE TAKEN	RESPONSIBLE PERSON	DATES START END	DOCUMENTATION	COMMENTS
ACS will assure the implementation of a standardized method to organize the case files and to document the completion of each step of the LRU process.	Robert Louis-Jacques	January 30, 2004 May 31, 2004		

AUDIT IMPLEMENTATION PLAN
NEW YORK CITY COMPTROLLER'S AUDIT NUMBER ME03-118A
AUDIT REPORT ON CAPITAL IMPROVEMENTS AT DAY CARE CENTERS REQUIRED BY LANDLORDS' LEASE AGREEMENTS
WITH THE ADMINISTRATION FOR CHILDREN'S SERVICES

RECOMMENDATION #2: ACS should continue working with DCAS to improve the lease agreements in order to give ACS more leverage to have the LRU completed in a timely fashion.

RESPONSIBLE MANAGER'S NAME: Hayden Blades

CORRECTIVE ACTIONS TO BE TAKEN	RESPONSIBLE PERSON	DATES START END	DOCUMENTATION	COMMENTS
ACS plans to request continued meetings with DCAS to improve the lease agreements in order to give ACS more leverage to have the LRU completed in a timely fashion.	Robert Louis-Jaques	April 15, 2004 December 31, 2004		

AUDIT IMPLEMENTATION PLAN
 NEW YORK CITY COMPTROLLER'S AUDIT NUMBER ME03-118A
 AUDIT REPORT ON CAPITAL IMPROVEMENTS AT DAY CARE CENTERS REQUIRED BY LANDLORDS' LEASE AGREEMENTS
 WITH THE ADMINISTRATION FOR CHILDREN'S SERVICES

RECOMMENDATION #3: ACS should work with DCAS on the standard lease agreement to review the reasonableness and enforceability of the agreement's time frames for required landlord actions during the design phase.

RESPONSIBLE MANAGER'S NAME: Hayden Blades

CORRECTIVE ACTIONS TO BE TAKEN	RESPONSIBLE PERSON	DATES START END	DOCUMENTATION	COMMENTS
ACS will work with DCAS on the standard lease agreement to review the reasonableness and enforceability of the agreement's time frames for required landlord actions during the design phase.	Robert Louis-Jacques	April 15, 2004 December 31, 2004		

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RECOMMENDATION #4: ACS should develop criteria for the timeliness of landlord design phase actions, ACS design document reviews, and landlords' responses to ACS review comments.

RESPONSIBLE MANAGER'S NAME: Hayden Blades

CORRECTIVE ACTIONS TO BE TAKEN	RESPONSIBLE PERSON	DATES		DOCUMENTATION	COMMENTS
		START	END		
Criteria for timeliness of cited recommendations will be computerized and tracked.	Robert Louis-Jacques	January 31, 2004	May 31, 2004		

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RECOMMENDATION #5: ACS should ensure that its design phase process is effectively tracked to promote timely lease renewal upgrades.

RESPONSIBLE MANAGER'S NAME: Hayden Blades

CORRECTIVE ACTIONS TO BE TAKEN	RESPONSIBLE PERSON	DATES		DOCUMENTATION	COMMENTS
		START	END		
The design phase process will be computerized and tracked.	Robert Louis-Jacques	January 31, 2004	May 31, 2004		

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RECOMMENDATION #6: ACS should continue its efforts to ensure that engineers are assigned to the ERU unit to promptly review landlords' construction design documents.

RESPONSIBLE MANAGER'S NAME: Hayden Blades

CORRECTIVE ACTIONS TO BE TAKEN	RESPONSIBLE PERSON	DATES START END	DOCUMENTATION	COMMENTS
ACS will assure prompt review of the landlords' construction design document by tracking the assignments of the engineering reviewer to promptly review the landlord's construction design documents.	Robert Louis-Jacques	January 31, 2004 May 31, 2004		

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RECOMMENDATION #7: ACS should establish better communication between the LRU and Program Operations units on obtaining temporary space for the day care centers to use during the construction phase of the renewal upgrades.

RESPONSIBLE MANAGER'S NAME: Hayden Blades

CORRECTIVE ACTIONS TO BE TAKEN	RESPONSIBLE PERSON	DATES		DOCUMENTATION	COMMENTS
		START	END		
Efforts will be made to further improve communication between the LRU and Program Operations units on obtaining temporary space for the day care centers to use during the construction phase of the renewal upgrades.	Robert Louis-Jacques	January 31, 2004	May 20, 2004		