

AUDIT REPORT



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

Audit of Payments by the Administration for Children's Services For Children with Disabilities in Residential Facilities

MD05-136A

June 20, 2006



THE CITY OF NEW YORK
OFFICE OF THE COMPTROLLER
1 CENTRE STREET
NEW YORK, N.Y. 10007-2341

WILLIAM C. THOMPSON, JR.
COMPTROLLER

To the Citizens of the City of New York

Ladies and Gentlemen:

In accordance with the Comptroller's responsibilities contained in Chapter 5, § 93, of the New York City Charter, my office has conducted an audit to determine whether the payments by the Administration for Children's Services (ACS) for children with disabilities in residential facilities were accurate, documented, and legitimate.

ACS contracts with Residential Treatment Centers to provide care and services to children who require services that cannot be provided in a less restrictive environment. We audit entities such as this to ensure that City funds are used effectively, efficiently, and in the best interest of the public.

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.

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 of Payments by the
Administration for Children's Services
For Children with Disabilities in Residential Facilities**

MD05-136A

AUDIT REPORT IN BRIEF

This audit determined whether the payments made by the Administration for Children's Services (ACS) for children with disabilities in residential facilities were accurate, documented, and legitimate.

Audit Findings and Conclusions

In general, we found that ACS payments for children with disabilities in residential facilities were accurate, documented, and legitimate. Our review of ACS payments to the three Residential Treatment Centers (RTCs) in our sample—The Children's Village, SCO Family of Services, and St. Cabrini—found that:

- The RTC requests for payments and attendance records generally reconciled to ACS payments—when RTC data did not match ACS data, payments were withheld until the discrepancies were rectified—and the correct level-of-care rate was used in calculating the payment rates for the sampled children.
- All of the files for the children sampled included the level of care recommended; the yearly permanency review by the State Court; the two most recent Uniform Case Records (UCRs) specifying the plan recommendations for the next six months; and level-of-care amendment approvals. Thus, we have reasonable assurance that the children listed on the attendance records for which ACS made payments were residing in and receiving services at the RTCs.

Audit Recommendations

Since we found no material weaknesses in ACS's controls regarding its payments to residential facilities for children with disabilities, we make no recommendations in this report.

INTRODUCTION

Background

ACS contracts with RTCs to provide 24-hour care and institutional treatment services to children 12 years of age or older who require services that cannot be provided in a less restrictive environment. These children are diagnosed with severe personality, emotional, and behavioral problems, psychiatric disorders, or serious intellectual incapacity.

According to ACS's *Guidelines for Selecting an Appropriate Placement*, RTCs provide the highest level of care under the City's child welfare foster care system. RTCs are in campus-type settings and offer individualized prescriptive treatments with specific short-term and long-term goals based upon diagnostic evaluation. Support services include individual and group therapy and special education and remediation programs.

RTC providers are reimbursed for expenses on a per diem rate calculated according to a formula developed by the New York State Office of Children and Family Services. The per diem rate is limited to the Maximum State Aid Rate (MSAR) established for a particular level of care by the New York State Office of Children and Family Services and ACS. The MSAR rate is adjusted by ACS, based on the results of its Foster Care Evaluation and Quality Improvement Protocol (FC EQUIP). This evaluation is used periodically to determine the effectiveness and quality of services provided to children.

During Fiscal Year 2005, ACS implemented the New York Statewide Service Payment System (SSPS), a new computerized payment system that is part of the New York State Benefit Issuance Card System (BICS). ACS sets up a computerized file in SSPS for all children accepted into one of its contracted programs. Each month, the RTC providers access SSPS and enter the data needed for them to receive reimbursement for the services they provided during the prior month. This information includes the number of care days each child spent at the facility and the expected reimbursement rate. SSPS compares this information to the ACS data in BICS and generates a payment preview report, which lists the agency reimbursement information. Exception reports are generated by SSPS to clarify discrepancies between data of RTC contractors and ACS. No payment is issued by ACS until these discrepancies are resolved and the corrected information is entered into BICS.

During Fiscal Year 2005, ACS contracted with 12 RTCs to provide services for the children it referred to them. During that fiscal year, ACS referred approximately 900 children to these facilities and paid \$48,682,420 for 255,663 care days. Table I, following, shows the expenditures and care days reported for the 12 RTCs.

Table I

General Information for ACS's 12 Residential Treatment Centers
July 1, 2004 to May 30, 2005¹

Program Provider /Residential Treatment Center	Expenditures	Care days
The Children's Village	\$ 9,301,619	51,880
Edwin Gould Academy *	8,873,184	56,978
Leak and Watts Services, Inc.	1,115,504	3,975
Little Flower Children's Services of New York	2,088,566	11,755
Saint Cabrini Home	2,761,897	19,041
SCO Family of Services	2,217,152	10,860
Abbot House	2,383,470	14,068
Astor Home for Children	452,485	2,607
Graham Windham Services to Families & Children	8,017,195	46,898
Jewish Board of Family & Children's Services	10,102,182	30,410
Jewish Child Care Association	423,390	1,882
St. John's Residence & School for Boys	945,776	5,309
Totals	\$ 48,682,420	255,663

*ACS terminated its contracts with Edwin Gould Academy in Fiscal Year 2005.

Objective

The objective of our audit was to determine whether ACS payments for children with disabilities in residential facilities were accurate, documented, and legitimate.

Scope and Methodology

The scope period of our audit was Fiscal Year 2005. To gain an understanding of the ACS payment process for RTCs, we interviewed the Deputy Assistant Commissioner of Payment Services and the Audit Liaison for Payment Services. We also performed a walkthrough of SSPS on September 23, 2005, and reviewed ACS's *Fiscal Operations Policies & Procedures—Child Welfare Financial Services*. In addition, a review of the Comptroller's Office Omnibus Automated Image Storage and Information System (OASIS) was performed to verify that ACS's contracts with the 12 RTCs were registered with the Comptroller's Office.

To obtain an understanding of the process for evaluating and referring children to RTCs, we interviewed the ACS Assistant Commissioner for Family Permanency Services, the Assistant Commissioner of Placement/Pre-Placement Service, and the Assistant Commissioner of Policy Development and Planning. We reviewed the ACS *Guide to Programs for Children in Foster Care*.

¹ Information for June 2005 was not available as of the end of the audit's fieldwork.

We randomly selected a sample of three RTCs: The Children's Village, St. Cabrini Home, and SCO Family of Services (previously St. Christopher-Ottillie) from the ACS list of 12 RTCs for Fiscal Year 2005. These three RTCs represent approximately \$14.2 million (29%) of total RTC Fiscal Year 2005 payments. From each of the RTCs, we randomly selected a 20 percent sample of the children referred to the facilities by ACS during Fiscal Year 2005. From The Children's Village we selected a sample of 51 children from a population of 257 children; from St. Cabrini Home, we selected a sample of 12 children from a population of 60 children; and from SCO Family of Services we selected a sample of 12 children from a population of 59 children. We visited each of our sampled RTCs, met with facility officials, and toured the premises. We reviewed the payment information for the children in our samples for the randomly-selected month of May 2005.

To determine whether ACS payments to RTCs were accurate, documented, and legitimate, we reviewed the daily attendance records for the children in our samples. We also reviewed documentation for home visits, children who were absent without leave, and hospitalization stays, if any, to ensure that care days were paid in accordance with ACS procedures. We compared the total number of care days in the attendance schedule for the children sampled to the numbers of care days billed to ACS; we then reconciled this figure to the care days actually paid by ACS to the RTCs.

To determine whether ACS was paying at the approved level-of-care payment rates set by the State and ACS, we reviewed the evaluation package for each child in our samples and confirmed that the level-of-care rate being paid was the level-of-care rate recommended. To ensure that these children were receiving services that were valid for their cases, we reviewed the referral and admission papers, the yearly permanency review² by the State Court, the two most recent UCRs specifying plan recommendations for each child for the next six months, and any level-of-care amendment approvals.

The results of the above tests, while not projectable to all Fiscal Year 2005 payments to RTCs by ACS, provided a reasonable basis for us to determine whether the ACS payments were accurate, documented, and legitimate.

We should note that we did not audit the SSPS or BICS since we do not have audit authority and corresponding access to these non-City systems. Our audit procedures regarding these systems and their controls were limited to the walkthrough and other audit tests noted above.

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.

² Yearly permanency reviews are annual Family Court hearings to determine whether children should remain in foster care.

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 March 17, 2006. On March 22, 2006, ACS officials sent us written notice via e-mail waiving their right to an exit conference. On May 5, 2006, we submitted a draft report to ACS officials with a request for comments. On May 22, 2006, ACS officials sent us written notice via e-mail stating:

“ACS agrees with the findings in the audit. Therefore, we feel a formal response is not required. We look forward to working with your office in the future to continue the delivery of quality services to the children of the City of New York.”

FINDINGS

In general, we found that ACS payments for children with disabilities in residential facilities were accurate, documented, and legitimate. Our review of ACS payments to The Children's Village, SCO Family of Services, and St. Cabrini found that:

- The RTC requests for payments and attendance records generally reconciled to ACS payments and the correct level-of-care rate was used in calculating the payment rates for the sampled children.
- All of the files for the children sampled included the level of care recommended; the yearly permanency review by the State Court; the two most recent UCRs specifying the plan recommendations for the next six months; and level-of-care amendment approvals.

ACS Payments Were Accurate and Legitimate

The payments reviewed for the three RTCs in our sample were correctly processed. Specifically, the payments made by ACS to The Children's Village, SCO Family of Services, and St. Cabrini were for children shown as registered and attending the RTCs for the time period of the requested payment. Furthermore, when RTC data did not match the ACS data in BICS, payments were withheld until the discrepancies were rectified.

Each month, RTC providers access SSPS and enter the number of care days each child spent at the facility and the expected reimbursement rate for the prior month. This information is compared to the ACS data in BICS. Exception reports are generated by SSPS to clarify discrepancies between RTC and ACS data. Payments are not made for children whose information contains discrepancies until the discrepancies are resolved and the corrected information is entered into BICS.

For the randomly-selected month of May 2005, ACS payments to The Children's Village, SCO Family of Services, and St. Cabrini totaled \$2,551,057. To determine whether ACS payments to RTCs were accurate, we reviewed the attendance records for a sample of 75 children from a total population of 376 children enrolled at the three RTCs: 51 children from The Children's Village, 12 children from SCO Family of Services, and 12 children from St. Cabrini. For these children, we compared the total number of care days in the attendance records to the number of care days billed to ACS; we then reconciled this figure to the care days actually paid by ACS.

The total payments made for the 75 sampled children for May 2005 was \$403,668. Our review found that the number of care days requested and paid matched the time period authorized by ACS, except for the following three cases:

- In two cases, ACS had authorized the child for service at the RTC requesting the payment, but had not yet entered that information into BICS. Therefore, the payment system withheld payments for these children until they were shown in BICS as authorized by ACS to receive services.
- In one case, payment was refused because the child's UCR was shown as having expired after two and one-half months even though UCRs are approved for six-month periods. Again, payment was withheld until the issue was resolved and the corrected information entered into BICS by ACS.

We also tested to determine whether the care days billed to ACS were for children residing in the RTCs as claimed. We reviewed the cases files for our sampled children to examine documentation of services provided. All of the files for the children sampled included the level of care recommended; the yearly permanency review by the State Court; the two most recent UCRs specifying the plan recommendations for the next six months; and level-of-care amendment approvals. We also reviewed counselors' notes for our sampled children detailing specific treatments and recommendations prompted by the children's diagnostic evaluations.

Based on our review of the documents in the case files, we have reasonable assurance that the children listed on the attendance records for which ACS made payments were residing in and receiving services at the RTCs.

ACS Paid the Correct Level-of-Care Rates for Services

The level-of-care rates requested by and paid to the RTCs for the 75 sampled students generally matched the authorized level-of-care payment rates shown by ACS. For two cases, the level-of-care rates requested by the RTC did not match the authorized rates shown in BICS, even though the children's referral packages show ACS approvals for the rates the RTCs requested.

To determine whether ACS was paying at the approved level-of-care payment rates set by the State and ACS, we reviewed the evaluation packages for the 75 sampled children and determined whether the level-of-care rate noted on the child's UCR matched the rate requested by the RTC.

Our review of the referral packages found that the level-of-care rates requested by the RTCs matched the rates authorized by ACS in all but the two cases cited above, the details of which follow:

- One child was admitted by the Children's Village at a "Hard to Place" level of care. However, the child was shown in the SSPS system as a "Residential Regular," which carries a lower payment rate. ACS would not pay until the discrepancy was resolved in the SSPS system. We reviewed the child's referral package and found that ACS in fact admitted the child as "Hard to Place."
- One Child was originally in a Foster Boarding Home and then was transferred to the Children's Village. For 15 days while the child was at the Children's Village, the

child was shown in the SSPS system at a “Foster Boarding Home” level of care, which carries a lower payment rate. His level-of-care rate was changed to “Residential Regular” while he was at the RTC, although SSPS still showed him at a “Foster Boarding Home” level. We reviewed the child’s referral package and found that the change in level of care was approved by ACS but the information in the computer system had not been updated.

We note that in both cases payments were withheld until the discrepancies were resolved and the corrected information entered into BICS by ACS. Based on our review, we have reasonable assurance that the correct level-of-care rates were requested by and paid to the RTCs.

RECOMMENDATIONS

Since we found no material weaknesses in ACS’s controls regarding its payments to residential facilities for children with disabilities, we make no recommendations in this report.