



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

WILLIAM C. THOMPSON, JR.
Comptroller

**Audit Report on Rosalie Hall, Inc., and its
Compliance with its Child Care Agreement
July 1, 2000, to June 30, 2001**

FN02-155A

June 13, 2002

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

**Audit Report on Rosalie Hall, Inc., and its
Compliance with its Child Care Agreement
July 1, 2000, to June 30, 2001**

FN02-155A

EXECUTIVE SUMMARY

Rosalie Hall, Inc. (Rosalie Hall), at 4150 Bronx Boulevard in the Bronx, is a not-for-profit organization that provides housing and maternity care through its Maternity Residence Program to unwed pregnant women up to the age of 18 (or 21 if they are still in school). Child care providers are reimbursed for expenses based on a per diem rate that is calculated based on 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 by the New York State Office of Children and Family Services and the New York City Administration for Children's Services (ACS).

This audit determined whether Rosalie Hall maintained adequate internal controls over the recording and reporting of its expenses, revenues, and days-of-care; was paid based on the appropriate per diem rate in accordance with the New York State standards of payment and ACS regulations; and complied with certain promulgated announcements and regulations contained in the New York State *Standards of Payment* and the City's *CWA Foster-Care Reimbursement Bulletin No. 92-5* and applicable amendments.

From July 1, 2000, to June 30, 2001 (Fiscal Year 2001), ACS reimbursed Rosalie Hall \$760,020 for providing services to 78 individuals in its Maternity Residence Program. In addition, Rosalie Hall received \$33,237 from ACS for its Independent Living Skills Program, an educational program for individuals in its care who are at least 14 years of age.

Rosalie Hall generally complied with the provisions of its child care agreement with regard to those promulgated announcements and regulations contained in the New York State *Standards of Payment* and the City's *CWA Foster-Care Reimbursement Bulletin No. 92-5* and applicable amendments. It had an adequate system of internal controls over the recording and reporting of its revenue, expenses, and days-of-care. Thus, we were reasonably assured that Rosalie Hall's internal controls over its operations were sufficient and operating as prescribed by management. However, for the period July 1, 2000, to June 30, 2001, Rosalie Hall received excess payments from ACS totaling \$34,126, but it under-billed ACS \$13,022 for its Maternity Residence Program. As a result, Rosalie Hall owes the City \$21,104.

In addition, Rosalie Hall included administrative costs totaling \$37,596 that should not have been charged to the Maternity Residence Program, based on New York State and ACS regulations. These expenses included fund-raising costs, the cost of dues to a representational organization, undocumented auto insurance costs, audit fees not properly allocated, a staff Christmas party, subscriptions, and a staff function not related to child care. Since our computed operating per diem rate for Rosalie Hall still exceeded the maximum per diem rate after we recalculated program costs, no recoupment of funds is warranted. (See Appendix I for Rosalie Hall's computed per diem rate, as audited.)

We recommend that Rosalie Hall remit \$21,104 in excess funding to the City, and include only those expenses allowed in the New York State *Standards of Payment for Foster Care of Children* and the *CWA Foster-Care Reimbursement Bulletin No. 92-5* and applicable amendments on its *Report of Actual Expenditures DSS-2652*. In addition, we recommend that ACS ensure that Rosalie Hall complies with the report's recommendations.

ACS, which also responded on behalf of Rosalie Hall, stated that both agreed with the audit's findings and recommendations. ACS stated that Rosalie Hall agreed to repay ACS \$21,104 and to ensure that only allowable expenses are included on its *Report of Actual Expenditures, DSS-2652*. ACS also stated that it notified Rosalie Hall officials of the repayment terms for the \$21,104 assessment.

INTRODUCTION

Background

Rosalie Hall, Inc. (Rosalie Hall), at 4150 Bronx Boulevard in the Bronx, is a not-for-profit organization that provides housing and maternity care through its Maternity Residence Program to unwed pregnant women up to the age of 18 (or 21 if they are still in school). Child care providers are reimbursed for expenses based on a per diem rate that is calculated based on 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 by the New York State Office of Children and Family Services and the New York City Administration for Children's Services (ACS). In addition, these reimbursements are governed by the rules and regulations found in the New York State *Standards of Payment* and the City's *CWA Foster-Care Reimbursement Bulletin No. 92-5* and applicable amendments.

From July 1, 2000, to June 30, 2001 (Fiscal Year 2001), ACS reimbursed Rosalie Hall \$760,020 for providing services to 78 individuals in its Maternity Residence Program. In addition, Rosalie Hall received \$33,237 from ACS for its Independent Living Skills Program, an educational program for individuals in its care who are at least 14 years of age.

Objectives

Our audit objectives were to determine whether Rosalie Hall:

- maintained adequate internal controls over the recording and reporting of its expenses, revenues, and days-of-care;

- was paid based on the appropriate per diem rate in accordance with the New York State standards of payment and ACS regulations; and
- complied with certain promulgated announcements and regulations contained in the New York State *Standards of Payment* and the City's *CWA Foster-Care Reimbursement Bulletin No. 92-5* and applicable amendments.

Scope and Methodology

To achieve our audit objectives, we reviewed and abstracted the rules and regulations governing foster care reimbursements in the New York State *Standards of Payment* and the *CWA Foster-Care Reimbursement Bulletin No. 92-5* and applicable amendments. We matched the revenue and expenses recorded on Rosalie Hall's general ledger and trial balance to the total amounts reported on its certified financial statements.

We evaluated Rosalie Hall's internal control structure over the recording and reporting of revenue, expenses, and days-of-care for its foster care programs. To gain an understanding of its operations, we reviewed Rosalie Hall's organizational chart, and conducted a walkthrough of its operations, documenting the results through written narratives and memoranda.

To verify whether the expenses Rosalie Hall charged to its foster care programs were accurate and allowable, we obtained and reviewed Rosalie Hall's *Report of Actual Expenditures DSS-2652* and matched each reported expense item to the related account(s) in the general ledger and trial balance. We selected a sample of expenses and traced them to documentation, such as invoices, petty cash vouchers, and canceled checks. We also verified whether the salaries of Rosalie Hall personnel were charged to the correct cost centers and programs and whether health insurance payments, pension contributions, and social security payments were actually for employees assigned to Rosalie Hall's Maternity Residence Program.

We verified whether the revenue Rosalie Hall received from ACS was accurate and was reported correctly on the *Report of Actual Income DSS-2654*. We matched each reported revenue amount to the corresponding amounts in the general ledger and trial balance. To determine the accuracy of the reported revenue, we traced the revenue to Rosalie Hall's bank statements and ACS payment records.

To determine whether Rosalie Hall reported its days-of-care accurately, we obtained the Rosalie Hall *Admission and Discharge Cards* and *Monthly Census Reports* for Fiscal Year 2001 and compared them to various ACS documents. In addition, we determined whether the payments made by ACS to Rosalie Hall matched the amounts billed by Rosalie Hall, and we determined whether ACS made the proper reconciliation payments. Finally, we determined whether specific expenses charged to the Rosalie Hall contract complied with New York State and ACS guidelines.

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 City Comptroller's audit responsibilities, 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 officials from Rosalie Hall and ACS during and at the conclusion of this audit. A preliminary draft report was sent to Rosalie Hall and ACS officials and was discussed at an exit conference on May 13, 2002. On May 14, 2002, we submitted a draft report to Rosalie Hall and ACS officials with a request for comments. We received a written response from ACS on May 31, 2002. ACS, which also responded on behalf of Rosalie Hall, stated that both agreed with the audit's findings and recommendations. ACS stated that Rosalie Hall agreed to repay ACS \$21,104 and to ensure that only allowable expenses are included on its *Report of Actual Expenditures, DSS-2652*. ACS also stated that it notified Rosalie Hall officials of the repayment terms for the \$21,104 assessment.

The full text of ACS's comments is included as an addendum to this final report.

**OFFICE OF THE COMPTROLLER
NEW YORK CITY**

DATE FILED: June 13, 2002

FINDINGS AND RECOMMENDATIONS

Rosalie Hall generally complied with the provisions of its child care agreement with regard to those promulgated announcements and regulations contained in the New York State *Standards of Payment* and the City's *CWA Foster-Care Reimbursement Bulletin No. 92-5* and applicable amendments. It had an adequate system of internal controls over the recording and reporting of its revenue, expenses, and days-of-care. Thus, we were reasonably assured that Rosalie Hall's internal controls over its operations were sufficient and operating as prescribed by management. However, for the period July 1, 2000, to June 30, 2001, Rosalie Hall received excess payments from ACS totaling \$34,126, but it under-billed ACS \$13,022 for its Maternity Residence Program. As a result, Rosalie Hall owes the City \$21,104.

Advanced Days-of-Care Overpayment of \$34,126

For Fiscal Year 2001, Rosalie Hall received \$760,020 in advances from ACS based on an estimated per diem rate for an estimated number of days-of-care for the maternity residents under its care. From July 1, 2000 to December 31, 2000, ACS completed two reconciliations comparing advances to Rosalie Hall's monthly billing. ACS's first reconciliation, which covered the three-month period from July 1, 2000 to September 30, 2000, determined that Rosalie Hall was due \$34,126, which was paid on November 15, 2000. On March 8, 2001, ACS completed a six-month reconciliation for the period July 1, 2000 to December 31, 2000, which resulted in Rosalie Hall receiving \$44,373 in additional funds from ACS. However, the six-month reconciliation did not take into account the payment that Rosalie Hall had received on November 15, 2000. Consequently, Rosalie Hall was overpaid \$34,126.

Errors in Days-of-Care Reporting Resulted in Rosalie Hall being Underpaid by \$13,022

Rosalie Hall incorrectly billed ACS for days maternity residents were absent without leave (AWOL) in excess of the seven consecutive days allowed by City and State regulations. Rosalie Hall overbilled ACS, and received payment totaling \$8,002, for 57 such days. Rosalie Hall, however, did not bill ACS for 150 AWOL days totaling \$21,024, when the maternity resident did return to the facility within the seven-day period. As a result, ACS owes Rosalie Hall \$13,022 (\$21,024-\$8,002).

Adjustments to Program Costs not Warranting Monetary Recoupments

Our review of Rosalie Hall's reported expenses disclosed that \$37,596 in administrative costs should not have been charged to the Maternity Residence Program based on New York State and ACS regulations. These expenses included fund-raising costs, the cost of dues to a representational organization, undocumented auto insurance costs, audit fees not properly allocated, a staff Christmas party, subscriptions, and a staff function not related to child care.

It should be noted that our computed operating per diem rate for Rosalie Hall still exceeded the maximum per diem rate after we recalculated program costs. Therefore, no recoupment of funds is

warranted. (See Appendix I for Rosalie Hall's computed per diem rate, as audited.)

Recommendations

We recommend that Rosalie Hall:

1. Remit \$21,104 in excess funding to the City.
2. Include only those expenses allowed in the New York State *Standards of Payment for Foster Care of Children* on its *Report of Actual Expenditures DSS-2652*.
3. Include only those expenses allowed in the *CWA Foster-Care Reimbursement Bulletin No. 92-5* and applicable amendments on its *Report of Actual Expenditures DSS-2652*.

We recommend that ACS:

4. Ensure that Rosalie Hall complies with the report's recommendations. ACS should issue a written notice to Rosalie Hall requiring that these recommendations be implemented and that Rosalie Hall returns \$21,104 in excess funding to the City.

ACS Response: ACS stated that Rosalie Hall agreed to repay ACS \$21,104 and to ensure that only allowable expenses are included on its *Report of Actual Expenditures, DSS-2652*. ACS also stated that it notified Rosalie Hall officials of the repayment terms for the \$21,104 assessment.

APPENDIX I

ROSALIE HALL, INC.
STATEMENT OF BASIS FOR THE PER DIEM RATE AS AUDITED
MATERNITY RESIDENCE
JULY 1, 2000 to JUNE 30, 2001

TOTAL REPORTED EXPENSES PER DSS-2652	\$ 1,005,873.00
LESS: AUDIT DISALLOWANCES	<u>77,401.05</u>
TOTAL ALLOWABLE EXPENSES AS AUDITED	<u>\$ 928,471.95</u>
ACS PAID DAYS-OF-CARE	5,107
ACS DAYS-OF-CARE NOT INCLUDED (NET)	<u>93</u>
TOTAL ACS DAYS-OF-CARE	5,200
PRIVATE DAYS-OF-CARE	<u>926</u>
TOTAL DAYS-OF-CARE	<u>6,126</u>
OPERATING PER DIEM RATE	<u>\$ 151.56</u>
MAXIMUM PER DIEM RATE	<u>\$ 148.00</u>
FINAL PER DIEM RATE (LOWER OF MAXIMUM OR OPERATING RATE)	<u>\$ 148.00</u>
 <u>CALCULATION OF AMOUNT DUE TO ACS (AGENCY)</u>	
INTERIM PER DIEM RATE PAID TO AGENCY	\$ 148.00
FINAL PER DIEM RATE AS AUDITED	<u>148.00</u>
PER DIEM DIFFERENCE	\$ -
ACS PAID DAYS-OF-CARE	<u>5,200</u>
TOTAL DUE TO ACS (AGENCY)	<u>\$ -</u>



ADMINISTRATION FOR CHILDREN'S SERVICES
150 WILLIAM STREET - 19th FLOOR
NEW YORK, N.Y. 10038

WILLIAM C. BELL
Commissioner

May 31, 2002

Mr. Roger D. Liwer, Assistant Comptroller for Audits
The City of New York Office of the Comptroller
Bureau of Audits
1 Centre Street, Room 1100
New York, NY 10007-2341

Re: NYC Comptroller's Audit Report FN02-155A
Rosalie Hall, Inc. and its Compliance With Its Child Care Agreement

Dear Mr. Liwer:

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

Attached is our response to your recommendations and appropriate Audit Implementation Plans (AIPs). 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 "William C. Bell".

William C. Bell

Attachments

ADDENDUM

(Page 2 of 6)

City of New York Office of the Comptroller
New York City Administration for Children's Services
Rosalie Hall, Inc.
Audit Number FN02-155A

**Administration for Children's Services
Response to Recommendations
May 31, 2002**

ACS was pleased to learn from the Comptroller's audit report that:

Rosalie Hall generally complied with the provisions of its child care agreement with regard to those promulgated announcements and regulations contained in the New York State *Standards of Payment* and the City's *CWA Foster-Care Reimbursement Bulletin No. 92-5* and applicable amendments. It had an adequate system of internal controls over the recording and reporting of its revenue, expenses, and days-of-care. Thus, we were reasonably assured that Rosalie Hall's internal controls over its operations were sufficient and operating as prescribed by management.

Recommendations 1, 2, and 3

Rosalie Hall, Inc. agrees to remit \$21,104 to the City of New York. Rosalie Hall is awaiting notification from the Administration for Children's Services (ACS) of the repayment terms.

Rosalie Hall, Inc. will include only those expenses allowed in the New York State Standards of Payments for Foster Care of Children on its Report of Actual Expenditures DSS-2652.

Rosalie Hall will include only those expenses allowed in the CWA Foster-Care Reimbursement Bulletin No. 92-5 and applicable amendments on its Report of Actual Expenditures DSS-2652.

Recommendation 4

ACS has sent Rosalie Hall written notice of the terms of recovery for the amount of \$21,104. ACS has also given Rosalie Hall written notice that they are required to comply with the Comptroller's recommendations.

ADMINISTRATION FOR CHILDREN'S SERVICES
AUDIT IMPLEMENTATION PLAN
NEW YORK CITY COMPTROLLER'S AUDIT ON
ROSALIE HALL, INC. AND ITS COMPLIANCE WITH ITS CHILD CARE AGREEMENT
AUDIT NUMBER: FN02-155A

RECOMMENDATION # 1: Rosalie Hall should remit \$21,104 in excess funding to the City.

RESPONSIBLE MANAGERS' NAME: TOM WELSH, DIRECTOR AUDIT SERVICES ACS

CORRECTIVE ACTIONS TO BE TAKEN	RESPONSIBLE PERSON	DATES START	DATES END	DOCUMENTATION	COMMENTS
Rosalie Hall, Inc agrees to remit \$21,104 to the City of New York. Rosalie Hall is awaiting notification from the Administration for Children's Services (ACS) of the repayment terms.	Sister Diane Prusinski, Executive Director Rosalie Hall, Inc.				

ADMINISTRATION FOR CHILDREN'S SERVICES
AUDIT IMPLEMENTATION PLAN
NEW YORK CITY COMPTROLLER'S AUDIT ON
ROSALIE HALL, INC. AND ITS COMPLIANCE WITH ITS CHILD CARE AGREEMENT
AUDIT NUMBER: FN02-155A

RECOMMENDATION # 2: Rosalie Hall should include only those expenses allowed in the New York State Standards of Payments for Foster Care of Children on its Report of Actual Expenditures DSS-2652.

RESPONSIBLE MANAGERS' NAME: SISTER DIANE PRUSINSKI, EXECUTIVE DIRECTOR ROSALIE HALL, INC.

CORRECTIVE ACTIONS TO BE TAKEN	RESPONSIBLE PERSON	DATES		DOCUMENTATION	COMMENTS
		START	END		
Rosalie Hall, Inc. will include only those expenses allowed in the New York State Standards of Payments for Foster Care of Children on its Report of Actual Expenditures DSS-2652.	Sister Diane Prusinski, Executive Director Rosalie Hall, Inc.	Fall 2002	Continuing	The next SOP, due in the fall of 2002	

ADMINISTRATION FOR CHILDREN'S SERVICES
AUDIT IMPLEMENTATION PLAN
NEW YORK CITY COMPTROLLER'S AUDIT ON
ROSALIE HALL, INC. AND ITS COMPLIANCE WITH ITS CHILD CARE AGREEMENT
AUDIT NUMBER: FN02-155A

RECOMMENDATION # 3: Rosalie Hall, Inc. should include only those expenses allowed in the CWA Foster-Care Reimbursement Bulletin No. 92-5 and applicable amendments on its Report of Actual Expenditures DSS-2652.

RESPONSIBLE MANAGERS' NAME: SISTER DIANE PRUSINSKI, EXECUTIVE DIRECTOR ROSALIE HALL, INC.

CORRECTIVE ACTIONS TO BE TAKEN	RESPONSIBLE PERSON	DATES		DOCUMENTATION	COMMENTS
		START	END		
Rosalie Hall will include only those expenses allowed in the CWA Foster-Care Reimbursement Bulletin No. 92-5 and applicable amendments on its Report of Actual Expenditures DSS-2652.	Sister Diane Prusinski, Executive Director Rosalie Hall, Inc.	Fall 2002	Continuing	The next SOP, due in the fall of 2002	

ADMINISTRATION FOR CHILDREN'S SERVICES
AUDIT IMPLEMENTATION PLAN
NEW YORK CITY COMPTROLLER'S AUDIT ON
ROSALIE HALL, INC. AND ITS COMPLIANCE WITH ITS CHILD CARE AGREEMENT
AUDIT NUMBER: FN02-155A

RECOMMENDATION # 4: ACS should ensure that Rosalie Hall complies with the report's recommendations. ACS should issue a written notice to Rosalie Hall requiring that these recommendations be implemented and that Rosalie Hall return \$21,104 in excess funding to the City.

RESPONSIBLE MANAGERS' NAME: TOM WELSH, DIRECTOR AUDIT SERVICES ACS.

CORRECTIVE ACTIONS TO BE TAKEN	RESPONSIBLE PERSON	DATES START END	DOCUMENTATION	COMMENTS
<p>ACS has sent Rosalie Hall written notice of the terms of recovery for the amount of \$21,104. It is anticipated that the funds will be recovered by offset in July 2002. ACS has also given Rosalie Hall written notice that they are required to comply with the Comptroller's recommendations.</p>	<p>Antoine Gautier, Assistant Director, Contract Audit</p>	<p>05/23/02 Continuing</p>		