

AUDIT REPORT



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

Audit Report on the Compliance of Graham Windham with Foster and Child Care Payment Regulations July 1, 2001–June 30, 2002

FN06-122A

March 24, 2008



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

WILLIAM C. THOMPSON, JR.
COMPTROLLER

To the Citizens of the City of New York

Ladies and Gentlemen:

In accordance with the Comptroller's responsibilities contained in Chapter 5, §93, of the New York City Charter, my office has audited the compliance of Graham Windham with New York State and City foster-care payment regulations.

Graham Windham is a not-for-profit organization that provides foster care services to children under a contract with the Administration for Children's Services (ACS). We audit organizations such as this ensure that they comply with the terms of their agreements with the City, properly report their expenditures, and receive appropriate payments from the City.

The results of our audit, which are presented in this report, have been discussed with officials of Graham Windham and ACS, 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/fh

Report: FN06-122A
Filed: March 24, 2008

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

**Audit Report on the Compliance of
Graham Windham with
Foster and Child Care Payment Regulations
July 1, 2001–June 30, 2002**

FN06-122A

AUDIT REPORT IN BRIEF

Graham Windham is a not-for-profit organization that provides foster care services to children under a contract with the Administration for Children's Services (ACS). This audit assessed the adequacy of Graham Windham's internal controls over expenses, revenues and days of care; whether Graham Windham was paid based on the per diem rate payments in effect for Fiscal Year 2002; and compliance with State and City payment and reimbursement standards.

For Fiscal Year 2002, ACS reimbursed Graham Windham \$23,535,078 for providing services to 1,785 children—262 in its Institution Program, 1,125 in its Foster Boarding Home Program, 94 in its Therapeutic Foster Boarding Home Program, 291 in its Emergency Foster Boarding Home Program, and 13 in its Supervised Independent Living Program. In addition, Graham Windham received \$475,629 from ACS for its Independent Living Skills Program, an educational program for individuals in its care who are at least 14 years of age, and \$234,002 for its Substance Abuse Program.

Audit Findings and Conclusions

Graham Windham generally complied with the New York State Standards of Payment and City Foster-Care Reimbursement Bulletin No. 92-5 regulations. Graham Windham had adequate internal controls over the recording and reporting of expenses, revenues, and days of care related to its foster and child care services. Moreover, Graham Windham was reimbursed by ACS for only those expenses appropriately incurred on behalf of its Independent Living Skills Program and Substance Abuse Program.

Although Graham Windham generally complied with the regulations, we found several exceptions over the course of our review. In particular, we determined that Graham Windham owes the City \$366,772 resulting from the difference between the funds it received (advances) from ACS and the actual expenses it incurred to operate the various programs we audited and the

actual days of care it provided. For Fiscal Year 2002, ACS advanced Graham Windham \$23,535,078. Based on our calculated expense disallowances, Graham Windham was entitled to receive \$23,175,401, a difference of \$359,677. In addition, Graham Windham owes \$7,095 for overbilling ACS 116 days of care (see Appendix I).

Our review of the expenses submitted to ACS disclosed that for Fiscal Year 2002, Graham Windham inappropriately claimed a total of \$404,220 in expenses that were not allowed under the New York State Standards of Payment and the City Foster-Care Reimbursement Bulletin No. 92-5 regulations.

Audit Recommendations

We make the following five recommendations, that Graham Windham:

- Remit \$366,772 in excess funding to ACS;
- Include only allowable program expenses in its Report of Actual Expenditures DSS-2652;
- Ensure that ACS's program expenses are offset against other related sources of income that Graham Windham receives;
- Maintain separate accounts for ACS and non-ACS programs; and
- Report its days of care accurately and in accordance with New York State and ACS regulations, and bill ACS for only those children in attendance at the foster care programs.

We make the following two recommendations, that ACS:

- Issue a written notice to Graham Windham requiring that it remits \$366,772 in excess funding to ACS; and
- Ensure that Graham Windham complies with the report's other recommendations.

INTRODUCTION

Background

The Administration for Children's Services (ACS) administers funds allocated through its annual contracts with voluntary child care agencies and is responsible for monitoring these contracts. Graham Windham, a not-for-profit organization located at 33 Irving Place, Manhattan, provides foster care services under a contract with ACS. Its foster care programs include the Institution, Foster Boarding Home, Therapeutic Foster Boarding Home, Emergency Foster Boarding Home, and the Supervised Independent Living Program.

Foster care providers are reimbursed for expenses based on a per diem rate that is 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 by the New York State Office of Children and Family Services and ACS. In addition, these reimbursements are governed by rules and regulations established in the New York State Standards of Payment for Foster Care of Children (Standards of Payment), and the City Foster-Care Reimbursement Bulletin No. 92-5 and applicable amendments. Contract provisions, as well as the New York City Charter, grant the City Comptroller's Office the right to audit contracts and determine allowable contract costs, which are used to calculate a final per diem rate.

For Fiscal Year 2002 (July 1, 2001, through June 30, 2002), ACS reimbursed Graham Windham \$23,535,078 for providing services to 1,785 children—262 in its Institution Program, 1,125 in its Foster Boarding Home Program, 94 in its Therapeutic Foster Boarding Home Program, 291 in its Emergency Foster Boarding Home Program, and 13 in its Supervised Independent Living Program. In addition, Graham Windham received \$475,629 from ACS for its Independent Living Skills Program, an educational program for individuals in its care who are at least 14 years of age, and \$234,002 for its Substance Abuse Program.

Objectives:

The audit's objectives were to determine whether for its foster and child care programs, Graham Windham:

- maintained adequate internal controls over recording and reporting of expenses, revenues, and days of care;
- was paid based on the per diem rates in effect for Fiscal Year 2002 and in accordance with the New York State Standards of Payment, ACS regulations, and accurate days of care data; and
- complied with the regulations in the New York State Standards of Payment, and the City Foster Care Reimbursement Bulletin No. 92-5 and applicable amendments.

Scope and Methodology

This audit covered the period July 1, 2001, through June 30, 2002 (Fiscal Year 2002). To achieve our audit objectives, we reviewed the contract between ACS and Graham Windham and abstracted pertinent terms and conditions. We also reviewed rules and regulations governing foster care reimbursements in the New York State Standards of Payment and the City Foster-Care Reimbursement Bulletin No. 92-5 and applicable amendments.

To determine the adequacy of Graham Windham's internal controls over the recording and reporting of its expenses, revenues, and days of care for its foster care programs, we interviewed Graham Windham officials and conducted a walk-through of its operations. To obtain an understanding of Graham Windham operating procedures, we reviewed the Graham Windham *Fiscal Department Manual, Handbook of Personnel Policies and Procedures*, and its organizational chart. We documented the results through written narratives and memoranda.

To determine whether the expenses Graham Windham charged to its foster care programs were accurate and appropriate, we reviewed its Report of Actual Expenditures DSS-2652 and traced each expense item to the related amount in its general ledger for Fiscal Year 2002. We then judgmentally selected a sample of expenses (based on dollar amount and type of expense) totaling \$4,002,045, or 46.2 percent, of the total child-related expenses of \$8,662,591 and traced these expenses to the corresponding documentation, such as invoices, petty cash vouchers, canceled checks, and journal entries.

Although the results of the above test of expenses were not projected to the entire population of expenses, they provided a reasonable basis to assess Graham Windham's compliance with the New York State Standards of Payment and the City Foster-Care Reimbursement Bulletin No. 92-5 regulations.

To determine whether all advances from ACS were correctly reported in Graham Windham's books and records, we traced each revenue amount from the general ledger to the corresponding amount on the ACS's Payment Confirmation Sheets. In addition, the amounts on the monthly ACS's Notice of Payment records were traced to corresponding deposits on Graham Windham's bank statements.

To determine whether Graham Windham reported its days of care accurately during Fiscal Year 2002, we reviewed the Monthly Billing Care Days Report and randomly selected samples from each program. We examined care-day records for 50 (4.4%) of the 1,125 children served in the Foster Boarding Home Program, 30 (10.3%) of the 291 children served in the Emergency Foster Boarding Home Program, 30 (11.5%) of the 262 children served in the Institution Program, 30 (31.9%) of the 94 children served in the Therapeutic Foster Boarding Home Program, and 13 (100%) of the 13 children served in the Supervised Independent Living Program. For each case tested, we obtained the corresponding case file, and traced the information to the Case Movement System forms and the ACS's Child Care Reporting System records. We then compared to the dates and number of care days reported on Graham Windham's Monthly Billing Care Days Report, ACS's Comparison of Interim Reconciliation

and Standards of Payment Report, and the Preliminary Year-End Reconciliation for accuracy and completion.

To determine whether the payments to foster parents made by Graham Windham in our sample cases were in accordance with the MSAR, we traced the amounts from the general ledger to the amounts listed in the monthly Foster Parent Payment Detail, canceled checks, and Monthly Billing Care Days Report. In addition, we reviewed files for all Special and Exceptional children in the Foster Boarding Home and Therapeutic Foster Boarding Home to determine whether the files had the required W-884 Special/Exceptional Care Authorizations from ACS.

For the Independent Living Skills and Substance Abuse Programs, we reviewed the expenses in the Schedule of Actual Expenditures DSS-2652 and compared the amounts to the income Graham Windham received for this program to determine whether the funds received from ACS were properly expended and allocated to a separate cost center.

Finally, to determine whether disallowances of reported expenses resulted in a recoupment of funds from Graham Windham, we recalculated a final per diem rate¹ and applied this rate to our calculated days of care.

Although the results of the above test regarding days of care were not projected to all days of care for the audit period, they provided a reasonable basis to assess Graham Windham's compliance with the New York State Standards of Payments and the City Foster-Care Reimbursement Bulletin No. 92-5 regulations.

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 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 Graham Windham and ACS officials during and at the conclusion of this audit. A preliminary draft report was sent to Graham Windham and ACS officials and was discussed at an exit conference held on January 3, 2008. On January 24, 2008, we submitted a draft report to Graham Windham and ACS officials with a request for comments. We received written responses from Graham Windham and ACS officials on February 7, 2008. In their response, Graham Windham officials agreed to remit \$366,772 in excess funding to ACS and to implement the audit's recommendations. ACS officials stated that ACS had sent Graham Windham written notice of the terms of recovery for the amount of \$366,772 and that ACS will ensure through subsequent audits that Graham Windham will comply with the audit's recommendations.

The full texts of the Graham Windham and ACS responses are included as an addendum to this final report.

¹ The final per diem rate is the lower of either the operating rate, which is calculated by dividing the allowable expenses incurred by the number of care days provided, or the maximum state aid rate.

FINDINGS

Graham Windham generally complied with the New York State Standards of Payment and City Foster-Care Reimbursement Bulletin No. 92-5 regulations. Graham Windham had adequate internal controls over the recording and reporting of expenses, revenues, and days of care related to its foster and child care services. Moreover, Graham Windham was reimbursed by ACS for only those expenses appropriately incurred on behalf of its Independent Living Skills Program and Substance Abuse Program.

Although Graham Windham generally complied with the regulations, we found several exceptions over the course of our review. In particular, we determined that Graham Windham owes the City \$366,772 resulting from the difference between the funds it received (advances) from ACS and the actual expenses it incurred to operate the various programs we audited and the actual days of care it provided. For Fiscal Year 2002, ACS advanced Graham Windham \$23,535,078. Based on our calculated expense disallowances, Graham Windham was entitled to receive \$23,175,401, a difference of \$359,677. In addition, Graham Windham owes \$7,095 for overbilling ACS 116 days of care (see Appendix I).

Our review of the expenses submitted to ACS disclosed that for Fiscal Year 2002, Graham Windham inappropriately claimed a total of \$404,220 in expenses that were not allowed under the New York State Standards of Payment and the City Foster-Care Reimbursement Bulletin No. 92-5 regulations.

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

Improperly Allocated \$73,848 in Expenses to ACS Programs

Graham Windham incorrectly charged ACS for expenses that were not related to ACS foster care programs. According to the New York State Standards of Payment and the City Foster-Care Reimbursement Bulletin No. 92-5 regulations, expenses that are not related to the provision of care, maintenance, and services of an ACS program are not allowable expenses. However, our review of various Graham Windham's cost center allocation schedules found that Graham Windham charged \$73,848 to ACS for expenses incurred at a facility that had no ACS foster care program. The building's operating-expense documentation and related lease agreements indicated that Graham Windham used the building for its own pre-school program, and that it also subleased a third of the facility to a pre-school program operated by the Department of Education. As a result, we disallowed a total of \$73,848 in expenses.

Did Not Apply \$40,497 in Other Income against ACS Expenses

Graham Windham received a total of \$40,497 in other income and failed to apply the amount against the related operating expenses reported to ACS for the operation of its cafeterias. According to the New York State Standards of Payment, revenue from all other sources should be used to reduce agency operating expenses. We noted that Graham Windham generated a total

of \$40,497 in income from the operation of its cafeteria in its Institution Program. However, Graham Windham charged ACS for expenses incurred in operating the cafeterias, such as those for food, utilities, and maintenance, without offsetting its income. As a result, we reduced expenses by \$40,497 in income received.

\$15,000 in Grant Income Not Charged Properly

Graham Windham failed to offset \$15,000 in grant income it received from the Union Free School District located at the Graham Windham's Institution facility. According to Chapter IV, Section C, of the New York State Standards of Payment, "Expenditures funded through a grant (public or private) must be reported as a separate cost center or as a non-allowable expense. Expenditures funded through a grant cannot be included in a foster care program cost center." As a result, we disallowed \$15,000 in grant income.

Claimed \$39,486 in Unallowable Legal Fees

Graham Windham charged ACS a total of \$39,486 in legal fees that are not allowed under the regulations. Section IV of the City Foster-Care Reimbursement Bulletin No. 92-5 states, "It is further understood by both parties that retroactive and future expenditures for legal fees for any litigation in which the City and Child Care agencies are co-defendants, or in which a Child Care agency is the litigant against the City, are not considered allowable." Graham Windham claimed expenses for a legal case that specifically involved the City and Graham Windham as co-defendants. As a result, we disallowed these legal fees for a total of \$39,486.

Claimed \$71,444 in Unallowable Administrative Expenses

Graham Windham claimed a total of \$71,444 in agency administrative expenses that are not allowable under the New York State Standards of Payment and the City Foster-Care Reimbursement Bulletin No. 92-5 regulations. Graham Windham claimed \$24,194 in college tuition expenses for its employees, \$20,509 in agency membership dues for representational organizations, \$6,577 in Board of Directors and fund-raising expenses, \$7,210 in gifts to staff and a staff picnic, \$4,960 in bad-debt write-offs, \$2,689 in penalties and parking violations, and \$5,305 in other miscellaneous expenses specifically not allowable under the regulations. As a result, we disallowed \$71,444 of the reported administrative expenses.

Inappropriately Claimed \$93,116 in Interest Expense

Graham Windham inappropriately claimed a total of \$93,116 in interest expense that should have been offset against \$289,739 in interest income that Graham Windham reported in its financial statements. Section III (3), of the Foster-Care Reimbursement Bulletin No. 92-5 regulations states that "interest charges must be reduced by any earnings on an investment portfolio of unrestricted funds of the agency and board restricted funds. Furthermore, this section states that all required documentation must be available upon audit or such expenses will be

considered non-allowable.” We noted that Graham Windham failed to offset its income against its expenses. In addition, we were not able to obtain documentation from Graham Windham or ACS of the approval of the capital expenditure or of the permission to claim interest charges. As a result, we disallowed \$93,116 in interest expenses charged to ACS.

Overstated \$48,014 in Depreciation Expenses

Graham Windham claimed a total of \$48,014 in depreciation expenses in excess of the amount allowed. According to Section II, (a), of the City Foster-Care Reimbursement Bulletin No. 92-5, “The cost of expenditures shall be depreciated over the useful life of the item, using straight line depreciation only.” However, Graham Windham’s depreciation schedules showed that the agency charged more than the straight line method of depreciation would have allowed. In some instances, Graham Windham charged depreciation over the remaining book value of the asset. As a result, we disallowed a total of \$48,014, the difference between what Graham Windham charged for the reviewed capital expenditures and what the straight line method of depreciation would have allowed.

Failed to Reduce \$22,815 in Special AIDS Payments

Graham Windham received an additional per diem rate for children who have AIDS. Expense reimbursements received in addition to the per diem rate have to be reduced from the total expenses to preclude a duplication of payment between the separate payment and the administrative per diem rate. Since our review of Graham Windham’s expenses did not identify expenses associated with the special AIDS payments, we concluded that the per diem rate already included the expenses associated with the special AIDS payments. As a result, we disallowed \$22,815 in special AIDS payments.

The above expense disallowances and related recoupment of funds that resulted after we recalculated the final operating per diem rate are reported in Appendices I–VI.

Overbilled ACS for 116 Days of Care

Graham Windham overbilled ACS a total of 116 days for three of its programs, as follows: 12 days for the Institution Program, 57 for the Foster Boarding Home Program, and 47 for the Emergency Foster Boarding Home Program. The overbilling resulted in a total disallowance of \$7,095. (See Appendix VII.)

RECOMMENDATIONS

We recommend that Graham Windham:

1. Remit \$366,772 in excess funding to ACS.

Graham Windham Response: “Graham Windham will remit the \$366,772 to ACS.”

2. Include only allowable program expenses in its Report of Actual Expenditures DSS-2652.

Graham Windham Response: “Graham Windham accepts the auditor’s recommendation and will adhere to the regulations governing the NYS Form DSS-2652 as detailed in the State OCFS Standards of Payment Bulletin and the current ACS Bulletin 92-5.”

3. Ensure that ACS’s program expenses are offset against other related sources of income that Graham Windham receives.

Graham Windham Response: “Graham Windham accepts the auditor’s recommendation.”

4. Maintain separate accounts for ACS and non-ACS programs.

Graham Windham Response: “Graham Windham has and will continue to maintain separate projects in our general ledger to account for every funding source for each program.”

5. Report its days of care accurately and in accordance with New York State and ACS regulations, billing ACS for only those children in attendance at the foster care programs.

Graham Windham Response: “Since the inception of the ACS SSPS care days system in October 2004, a regular and ongoing reconciliation is done at the ACS Reconciliation Center.”

In addition, we recommend that ACS:

6. Issue a written notice to Graham Windham requiring that it remit \$366,772 in excess funding to ACS.

ACS Response: “ACS has sent Graham Windham written notice of the terms of recovery for the amount of \$366,772.”

7. Ensure that Graham Windham complies with the report’s other recommendations.

ACS Response: “ACS will ensure through subsequent audits that Graham Windham will comply with the report recommendations.”



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

JOHN B. MATTINGLY, Ph.D., M.S.W.
Commissioner

2008 FEB -7 PM 4:37

SUSAN NUCCIO
*Deputy Commissioner
Financial Services*

MEMORANDUM

February 7, 2008

Mr. John Graham
Deputy Comptroller
Policy, Audits, Accountancy & Contracts
The City of New York Office of the Comptroller
Executive Offices
1 Centre Street, Room 5000
New York, New York 10007-2341

Re: NYC Comptroller's Draft Report FN06-122A Audit on the
Compliance of Graham-Windham with Foster and Child Care
Payment Regulations

Dear Mr. Graham:

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

Attached is our response to your recommendations and appropriate Audit Implementation Plans (AIPs). ACS looks forward to continue working with your office to improve the delivery of services to the children of the City of New York.

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

Sincerely,

Tom Welsh

**ADMINISTRATION FOR CHILDREN'S SERVICES AUDIT IMPLEMENTATION PLAN
 NEW YORK CITY COMPTROLLER'S AUDIT REPORT ON THE COMPLIANCE OF GRAHAM WINDHAM
 WITH FOSTER AND CHILD CARE PAYMENT REGULATIONS
 AUDIT NUMBER: FN06-122A**

RECOMMENDATION # 1: Graham Windham should remit \$366,772 in excess funding to ACS.

RESPONSIBLE MANAGER(S)' NAMES: FRANK SPAIN & BASIL WEBSTER

CORRECTIVE ACTIONS TO BE TAKEN	RESPONSIBLE PERSONS	DATES START END	DOCUMENTATION	COMMENTS
Graham Windham will remit the \$366,772 to ACS.	Chief Financial Officer & Director of Finance	03/2008 06/2008		

**ADMINISTRATION FOR CHILDREN'S SERVICES AUDIT IMPLEMENTATION PLAN
 NEW YORK CITY COMPTROLLER'S AUDIT REPORT ON THE COMPLIANCE OF GRAHAM WINDHAM
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 AUDIT NUMBER: FN06-122A**

RECOMMENDATION # 2: Graham Windham should include only allowable program expenses in its Report of Actual Expenditures DSS-2652.

RESPONSIBLE MANAGER(S)' NAME(S): FRANK SPAIN & BASIL WEBSTER

CORRECTIVE ACTIONS TO BE TAKEN	RESPONSIBLE PERSONS	DATES START	DATES END	DOCUMENTATION	COMMENTS
Graham Windham accepts the auditor's recommendation and will adhere to the regulations governing the NYS Form DSS-2652 as detailed in the State OCFS Standards of Payment Bulletin and the current ACS bulletin 92-5.	Chief Financial Officer & Director of Finance	01/2008	Ongoing		

**ADMINISTRATION FOR CHILDREN'S SERVICES AUDIT IMPLEMENTATION PLAN
NEW YORK CITY COMPTROLLER'S AUDIT REPORT ON THE COMPLIANCE OF GRAHAM WINDHAM
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AUDIT NUMBER: FN06-122A**

RECOMMENDATION # 3: Graham Windham should ensure that ACS's program expenses are offset against other related sources of income that Graham Windham receives.

RESPONSIBLE MANAGER(S)' NAME(S): FRANK SPAIN & BASIL WEBSTER

CORRECTIVE ACTIONS TO BE TAKEN	RESPONSIBLE PERSONS	DATES START END	DOCUMENTATION	COMMENTS
<p>Graham Windham accepts the auditor's recommendation. With the exception of clearly defined Section C income, the agency will offset all applicable program expenses with any other related sources of income. The agency had previously interpreted the disallowed income as belonging in Section C. Current practice is designed to ensure that all income is properly classified per State SOP guidelines.</p>	<p>Chief Financial Officer & Director of Finance</p>	<p>01/2008 Ongoing</p>		

ADMINISTRATION FOR CHILDREN'S SERVICES AUDIT IMPLEMENTATION PLAN
NEW YORK CITY COMPTROLLER'S AUDIT REPORT ON THE COMPLIANCE OF GRAHAM WINDHAM
WITH FOSTER AND CHILD CARE PAYMENT REGULATIONS
AUDIT NUMBER: FN06-122A

RECOMMENDATION # 4: Graham Windham should maintain separate accounts for ACS and non-ACS programs.

RESPONSIBLE MANAGER(S) NAME(S): FRANK SPAIN & BASIL WEBSTER

CORRECTIVE ACTIONS TO BE TAKEN	RESPONSIBLE PERSONS	DATES START	DATES END	DOCUMENTATION	COMMENTS
Graham Windham has and will continue to maintain separate projects in our general ledger to account for every funding source for each program. In Fiscal Year 2002 SOP filing, some items were not readily defined, and thus were grouped under the main programs.	Chief Financial Officer & Director of Finance	01/2008	Ongoing		

ADMINISTRATION FOR CHILDREN'S SERVICES AUDIT IMPLEMENTATION PLAN
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 WITH FOSTER AND CHILD CARE PAYMENT REGULATIONS
 AUDIT NUMBER: FN06-122A

RECOMMENDATION # 5: Graham Windham should report its days of care accurately and in accordance with New York State and ACS regulations, billing ACS for only those children in attendance at the foster care programs.

RESPONSIBLE MANAGER(S)' NAME(S): FRANK SPAIN & BASIL WEBSTER

CORRECTIVE ACTIONS TO BE TAKEN	RESPONSIBLE PERSONS	START	DATES END	DOCUMENTATION	COMMENTS
<p>Since the inception of the ACS SSPS care days system in October 2004, a regular and ongoing reconciliation is done at the ACS Reconciliation Center. This process has cut down on both human and system errors which affect the accuracy of care day counts.</p>	<p>Chief Financial Officer & Director of Finance</p>	<p>10/2004</p>	<p>Ongoing</p>		<p>In Fiscal Year 2002 there were some software problems affecting our DOS based computerized system which tracked billable care days, as well as some human errors. The net result was a minor overstatement of care days. These problems are corrected, and we are highly committed to ensuring accurate care day billing.</p>

**ADMINISTRATION FOR CHILDREN'S SERVICES AUDIT IMPLEMENTATION PLAN
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AUDIT NUMBER: FN06-122A**

RECOMMENDATION # 6: ACS should issue a written notice to Graham Windham requiring that it remit \$366,772 in excess funding to ACS.

RESPONSIBLE MANAGER'S NAME: Tom Welsh, ACS Audit Services

CORRECTIVE ACTIONS TO BE TAKEN	RESPONSIBLE PERSON	DATES		DOCUMENTATION	COMMENTS
		START	END		
ACS has sent Graham Windham written notice of the terms of recovery for the amount of \$366,772.	Robert Sisko	02/2008	02/2008	Copy of the letter	

**ADMINISTRATION FOR CHILDREN'S SERVICES AUDIT IMPLEMENTATION PLAN
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WITH FOSTER AND CHILD CARE PAYMENT REGULATIONS
AUDIT NUMBER: FN06-122A**

RECOMMENDATION # 7: ACS should ensure that Graham Windham complies with the report's other recommendations.
RESPONSIBLE MANAGER'S NAME: Tom Welsh, ACS Audit Services

CORRECTIVE ACTIONS TO BE TAKEN	RESPONSIBLE PERSON	DATES START END	DOCUMENTATION	COMMENTS
ACS will ensure through subsequent audits that Graham Windham will comply with the report recommendations.	Robert Sisko	01/2008 Ongoing	Subsequent foster care audits.	

City of New York Office of the Comptroller (NYCC)
Audit on Compliance of Graham Windham
With Foster and Child Care Payment Regulations
Audit Number FN06-122A

Administration for Children's Services
Response to Recommendations
February 7, 2008

ACS is pleased to learn that the Draft Audit Report acknowledged the adequacy of Graham Windham's internal controls, and also that the agency was found to be in general compliance with both, State Standards of Payment and Bulletin 92-5 regulations. You can be assured that Graham Windham's management team will make every effort to apply what they have learned over the full course of this audit process, and will use the experience as a guide to formulate operational practices intended to make the internal controls even stronger going forward. ACS and Graham Windham are taking steps to address the recommendations listed below.

RECOMMENDATION 1

Graham Windham will remit the \$366,772 to ACS.

RECOMMENDATION 2

Graham Windham accepts the auditor's recommendation and will adhere to the regulations governing the NYS Form DSS 2652 as detailed in the State OCFS Standards of Payment Bulletin and the current ACS bulletin 92-5.

RECOMMENDATION 3

Graham Windham accepts the auditor's recommendation. With the exception of clearly defined Section C income, the agency will offset all applicable program expenses with any other related sources of income. The agency had previously interpreted the disallowed income as belonging in Section C. Current practice is designed to ensure that all income is properly classified per State SOP guidelines.

RECOMMENDATION 4

Graham Windham has and will continue to maintain separate projects in our general ledger to account for every funding source for each program. In Fiscal Year 2002 SOP filing, some items were not readily defined, and thus were grouped under the main programs.

RECOMMENDATION 5

In Fiscal Year 2002 there were some software problems affecting our DOS based computerized system which tracked billable care days, as well as some human errors. The net result was a minor overstatement of care days. These problems are corrected, and we are highly committed to ensuring accurate care day billing. Since the inception of the ACS SSPS care days system in October 2004, a regular and ongoing reconciliation is done at the ACS Reconciliation Center. This process has cut down on both human and system errors which affect the accuracy of care day counts.

City of New York Office of the Comptroller (NYCC)
Audit on Compliance of Graham Windham
With Foster and Child Care Payment Regulations
Audit Number FN06-122A

Administration for Children's Services
Response to Recommendations
February 7, 2008

RECOMMENDATION 6

ACS will ensure through subsequent audits that Graham Windham will comply with the report recommendations.

RECOMMENDATION 7

ACS has sent Graham Windham written notice of the terms of recovery for the amount of \$366,772.