

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

WILLIAM C. THOMPSON, JR.
Comptroller

**Audit Report on the Contract of
New York Therapeutic Communities
With the Department of Probation**

FL02-157A

June 24, 2002

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New York Therapeutic Communities
With the Department of Probation**

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EXECUTIVE SUMMARY

On June 10, 1999, the Department of Probation (DOP) entered into a two-year contract with New York Therapeutic Communities (NYTC) to operate for probationers a residential treatment facility in the Bedford Stuyvesant section of Brooklyn. For our audit period—July 1, 2000, to June 30, 2001—NYTC received \$198,480 from DOP to operate the residential treatment facility and to provide various services to probationers.

This audit determined whether NYTC maintained adequate internal controls over the receipt and expenditures of contract funds and spent all contract funds on program-related expenses. We verified whether all revenue received from DOP was properly recorded on NYTC books and records. By reviewing the original invoices, payment vouchers, canceled checks, and supporting documentation for each transaction, we determined whether NYTC charged only program-related expenses to the DOP contract. Finally, we conducted a field visit to the facility on May 6, 2002, and verified whether the kitchen, restrooms, dormitories, and other areas of the facility were clean and safe for the residents.

NYTC generally adhered to the provisions of its agreement with DOP and had an adequate system of internal controls over the recording and reporting of its revenues and expenses. All revenue received from DOP was properly recorded on NYTC's books and records. All expenses were reasonable and appropriate, and were adequately documented. In addition, NYTC maintained the facility in a safe and sanitary manner.

In view of these findings, we make no recommendations. Officials from NYTC decided that an exit conference was not necessary. On May 29, 2002, we submitted a draft report to NYTC and DOP officials with a request for comments. We received a written response from NYTC on June 12, 2002. In his response, NYTC's Administrator stated that he accepts the report. DOP did not respond to the draft report.

The full text of NYTC's response is included as an addendum to this report.

INTRODUCTION

Background

On June 10, 1999, the Department of Probation (DOP) entered into a two-year contract with New York Therapeutic Communities (NYTC) to operate a residential treatment facility for probationers. The facility is in the Bedford Stuyvesant section of Brooklyn. The initial term of the contract is July 1, 1998, to June 30, 2000. On July 10, 2000, DOP exercised a renewal option that extended the contract to June 30, 2002.

For our audit period—July 1, 2000, to June 30, 2001—NYTC received \$198,480 from DOP to operate the residential treatment facility and to provide various services to probationers including food, shelter, health education, vocational training, and social services.

Objectives

The objectives of this audit were to determine whether NYTC:

- Maintained adequate internal controls over the receipt and expenditures of contract funds; and,
- Spent all contract funds on program-related expenses.

Scope and Methodology

The audit covered the period July 1, 2000, to June 30, 2001. We reviewed the agreement between DOP and NYTC, and applicable Procurement Policy Board rules. We interviewed the NYTC Chief Accountant and Program Director. We documented these interviews in memoranda and completed an internal control review to document our understanding of NYTC's internal controls over the recording and reporting of revenue and expenses.

We verified whether all revenue received from DOP was properly recorded on NYTC's books and records. We also confirmed whether the amounts reported on the "Monthly Statement of Expenditures" matched the amounts that NYTC received from DOP.¹

To determine whether NYTC charged only program-related expenses to the DOP contract, we reviewed documentation (i.e., invoices and canceled checks) for all reported expenses, totaling \$220,835, on NYTC's "Monthly Statement of Expenditures" for the audit period. We analyzed and reviewed the original invoices, payment vouchers, canceled checks, and supporting documentation for each transaction, noting the description of the item purchased or

¹ The "Monthly Statement of Expenditures" contains expenses incurred for the operation of the facility and is the basis for the monthly billing to DOP.

services rendered, checking for proper approvals and mathematical accuracy, and determining whether expenses were recorded to the correct period and within the prescribed budgets.

We verified whether salaries paid were properly allocated to the DOP contract and were within prescribed budgets. We also reviewed timekeeping records for all employees assigned to the DOP contract.

Finally, we conducted a field visit to the facility on May 6, 2002, and verified whether the kitchen, restrooms, dormitories, and other areas of the facility were clean. We also reviewed building inspection records to determine whether the facility provided safe and sanitary conditions for its residents.

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 NYTC and DOP officials during and at the conclusion of this audit. A preliminary draft report was sent to NYTC and DOP officials on May 16, 2002. Officials from NYTC decided that an exit conference was not necessary. On May 29, 2002, we submitted a draft report to NYTC and DOP officials with a request for comments. We received a written response from NYTC on June 12, 2002. In his response, NYTC's Administrator stated he accepts the report. DOP did not respond to the draft report.

The full text of NYTC's response is included as an addendum to this report.

**OFFICE OF THE COMPTROLLER
NEW YORK CITY**

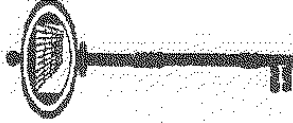
DATE FILED: *June 24, 2002*

FINDINGS AND RECOMMENDATIONS

NYTC generally adhered to the provisions of its agreement with DOP and had an adequate system of internal controls over the recording and reporting of its revenues and expenses. Specifically, NYTC:

- Properly recorded all revenues received from DOP;
- Properly recorded all expenses charged to the DOP contract;
- Ensured that expenses charged were in accordance with the DOP-approved budget;
- Provided adequate supporting documentation for all expenses;
- Maintained adequate timekeeping records for its employees;
- Properly allocated salaries to the DOP contract for those employees working on multiple contracts.
- Maintained the facility in a safe and sanitary manner.

In view of these findings, we make no recommendations.



New York Therapeutic Communities, Inc

Stay'n Out and Serendipity Program

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Correctional Facility
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New York, NY

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Brooklyn, NY

Serendipity II
Brooklyn, NY

June 13, 2002

Roger D. Liwer
NYC Comptroller's Office
Bureau of Audits
1 Center Street
NY NY 10007

Re: Audit Report on Contract FL02-157A

Dear Mr. Liwer:

With reference to the above mentioned audit report, please be advised that we accept the report and since there was no recommendation, there is no need for an 'Agency Implementation Plan'.

Thank you,

Sincerely,

Deochand Narain
Administrator