



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

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**WILLIAM C. THOMPSON, JR.**  
*Comptroller*

**Audit Report on St. Christopher-Ottolie's  
Contract with the Department of Youth and  
Community Development**

**FL02-159A**

*June 20, 2002*

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**Audit Report on St. Christopher-Otilie's  
Contract with the Department of Youth and  
Community Development**

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**EXECUTIVE SUMMARY**

On September 13, 2000, the Department of Youth and Community Development (DYCD) entered into a three-year contract with St. Christopher-Otilie Services (St. Christopher), to operate a group residence for runaway or homeless youths aged 16 through 21. The group residence is in the Williamsburg section of Brooklyn. The initial term of the contract is May 9, 2000, to April 30, 2003, with an additional three-year renewal option. For our audit period—July 1, 2000, to June 30, 2001—St. Christopher received \$654,543 from DYCD to operate the shelter and provide such services as food, shelter, substance abuse counseling, education, and vocational training.

This audit determined whether St. Christopher 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 DYCD was properly recorded on St. Christopher's books and records. We reviewed payroll and personnel records, original invoices, payment vouchers, canceled checks, and supporting documentation to determine whether St. Christopher charged only program-related expenses to the DYCD contract.

St. Christopher generally adhered to the provisions of its agreement with DYCD and had an adequate system of internal controls over the recording and reporting of its revenues and expenses. All revenue received from DYCD was properly recorded on St. Christopher's books and records and deposited in St. Christopher's bank account. All expenses were reasonable and appropriate, and were adequately documented.

However, St. Christopher did not always follow DYCD guidelines when processing petty cash disbursements. In addition, St. Christopher could not account for a digital camera and a vacuum cleaner purchased with contract funds. It would cost St. Christopher \$554 to replace these items.

This report recommends that St. Christopher make sure that all petty cash payments are processed in accordance with DYCD's Fiscal Manual, and that all equipment purchased is properly safeguarded and accounted for. This report also recommends that DYCD make sure that St. Christopher implements the audit recommendations.

The matters covered in this report were discussed with St. Christopher and DYCD officials during and at the conclusion of this audit. A preliminary draft report was sent to St. Christopher and DYCD officials on May 1, 2002, and discussed at an exit conference on May 22, 2002. On May 29, 2002, we submitted a draft report to St. Christopher and DYCD officials with a request for comments. In their responses, St. Christopher and DYCD agreed to implement the report's recommendations. However, St. Christopher did not believe that the digital camera the report cited as missing was, in fact, missing. Nevertheless, St. Christopher acknowledged that any equipment purchased with program funds is the property of DYCD and must be properly safeguarded. The full texts of the responses received from St. Christopher and DYCD are included as addenda to this report.

## **INTRODUCTION**

### **Background**

On September 13, 2000, the Department of Youth and Community Development (DYCD) entered into a three-year contract with St. Christopher-Ottolie Services (St. Christopher), to operate a group residence for runaway or homeless youths aged 16 through 21. The group residence is in the Williamsburg section of Brooklyn. The initial term of the contract is May 9, 2000, to April 30, 2003, with an additional three-year renewal option. For our audit period—July 1, 2000, to June 30, 2001—St. Christopher received \$654,543 from DYCD to operate the shelter and provide services such as, food, shelter, substance abuse counseling, education, and vocational training.

### **Objectives**

The objectives of this audit were to determine whether St. Christopher:

- 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 DYCD and St. Christopher, applicable Procurement Policy Board rules, and the DYCD Fiscal Manual. We interviewed St. Christopher's Financial Director, Contract Manager, and Program Director. We documented these interviews in memoranda, and completed an internal control review to document our understanding of St. Christopher's internal controls over the recording and reporting of revenue and expenses.

We verified whether all revenue received from DYCD was properly recorded on St. Christopher's books and records and deposited in St. Christopher's bank account. We also

confirmed whether the amounts reported on the “Program Expenses Report Summary” matched the amounts that St. Christopher received from DYCD.<sup>1</sup>

To determine whether St. Christopher charged only shelter expenses to the DYCD contract, we reviewed documentation (i.e., invoices and canceled checks) for sampled expenses reported on St Christopher’s “Program Expenses Report Summary” for the audit period. Our sampled expenses, totaling \$135,771, represented approximately 21 percent of St. Christopher’s reported expenses 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 services rendered, checking for proper approvals and mathematical accuracy, and determining whether expenses were recorded to the correct period. We also performed a physical inventory check of 51 equipment items purchased during our audit period.

We verified whether salaries paid were properly allocated to the DYCD contract and were within prescribed budgets. We also reviewed timekeeping records for all employees assigned to the DYCD contract, and verified whether St. Christopher employees were cleared through the New York State Central Register, as required by § 424-a of the Social Services Law.

Finally, we conducted an unannounced visit to the shelter on March 28, 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 shelter 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.

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<sup>1</sup> The “Program Expense Report Summary” contains expenses incurred for the operation of the shelter and is the basis for the monthly billing to DYCD.

## **Discussion of Audit Results**

The matters covered in this report were discussed with St. Christopher and DYCD officials during and at the conclusion of this audit. A preliminary draft report was sent to St. Christopher and DYCD officials on May 1, 2002, and discussed at an exit conference on May 22, 2002. On May 29, 2002, we submitted a draft report to St. Christopher and DYCD officials with a request for comments. On June 12, 2002, we received written responses from St. Christopher and DYCD in which they agreed to implement the report's recommendations. However, St. Christopher did not believe that the digital camera the report cited as missing was, in fact, missing. Nevertheless, St. Christopher acknowledged that any equipment purchased with program funds is the property of DYCD and must be properly safeguarded.

The full texts of the responses received from St. Christopher and DYCD are included as addenda to this report.

**OFFICE OF THE COMPTROLLER  
NEW YORK CITY**

**DATE FILED: *June 20, 2002***

## **FINDINGS AND RECOMMENDATIONS**

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

- Properly recorded and deposited all revenues received from DYCD;
- Properly recorded all expenses charged to the DYCD contract;
- Ensured that expenses charged were in accordance with the DYCD-approved budget;
- Provided adequate supporting documentation for most expenses;
- Maintained adequate timekeeping records for its employees;
- Properly allocated employee salaries to the DYCD contract;
- Ensured that employees were cleared through the New York State Central Register, as required by the Social Services Law.
- Maintained the facility in a safe and sanitary manner.

However, St. Christopher did not always follow DYCD's guidelines when processing petty cash disbursements. In addition, St. Christopher could not account for two pieces of equipment purchased with contract funds. These issues are discussed in the following sections of this report.

### **Questionable Petty Cash Payments**

St. Christopher did not always follow DYCD procedures when processing petty cash disbursements. Specifically:

- 68 petty cash payments totaling \$1,108 were made without supporting documentation. According to DYCD's Fiscal Manual, "Each voucher must be supported with a receipt or invoice which shows the date of purchase, item purchased and the cost."
- Two petty cash payments totaling \$353.19 exceeded the \$100 limitation per purchase in DYCD's Fiscal Manual.
- 23 petty cash payments totaling \$255.30 were made to program participants without the required approval of St. Christopher officials.
- One petty cash payment was processed twice, resulting in a \$60 duplicate payment.

## **Missing Equipment**

St. Christopher charged equipment purchases totaling \$13,507 to the DYCD contract during the audit period. During our physical inventory of the 51 individual items purchased, we were unable to locate two items: a digital camera, and a vacuum cleaner. It would cost St. Christopher \$554 to replace these items.

## **Recommendations**

St Christopher should:

1. Ensure that all petty cash payments are processed in accordance with DYCD's Fiscal Manual.

**St. Christopher Response:** "St. Christopher-Otilie is closely monitoring that Petty Cash and other Expenses incurred for DYCD funded programs are in compliance with DYCD Policies and Regulations."

2. Ensure that all equipment purchased is properly safeguarded and accounted for.

**St. Christopher Response:** "SCO [St. Christopher-Otilie] is aware that any equipment purchased with DYCD funds is property of DYCD and that the equipment must be properly safeguarded."

DYCD should:

3. Ensure that St. Christopher implements the audit recommendations.

**DYCD's Response:** "DYCD has followed up with St. Christopher-Otilie to ensure that they implement the recommendations outlined in this audit."



**DEPARTMENT OF YOUTH AND COMMUNITY DEVELOPMENT**

156 William Street  
New York, NY 10038  
(212) 442-5900 FAX (212) 442-5998  
TTY (212) 442-5903

JEANNE B. MULLGRAV  
Commissioner

June 12, 2002

Roger D. Liwer, *Assistant Comptroller for Audits*  
Office of the NYC Comptroller  
1 Centre Street, Room 1100 North  
New York, N.Y. 10007-2341

Dear Mr. Liwer:

On Wednesday, May 29, 2002, DYCD received the Draft Audit Report on St. Christopher-Ottilie's Contract with the Department of Youth and Community Development.

In this Draft Report, the Comptroller's Office found that "St. Christopher generally adhered to the provisions of its agreement with DYCD and had an adequate system of internal controls over the recording and reporting of its revenues and expenses." However, the Comptroller's Office found that St. Christopher did not always follow DYCD procedures when processing petty cash expenditures and when controlling equipment inventory.

DYCD has followed up with St. Christopher Ottilie to ensure that they implement the recommendations outlined in this audit. To follow are the responses to each of the recommendations:

**Recommendation One:** St. Christopher should ensure that all petty cash payments are processed in accordance with DYCD's Fiscal Manual.

✓ **Response:** St. Christopher indicated to DYCD that "Any Petty Cash expense submitted to our Finance Department for reimbursement without the proper back-up receipt and the proper level of authorization is rejected and sent back to the program without payment. Any individual purchase using Petty Cash funds in excess of \$100 is also disallowed."

**Recommendation Two:** St. Christopher should ensure that all equipment purchased is properly safeguarded and accounted for.



June 12, 2002

✓ *Response:* St. Christopher indicated to DYCD that "[They have] implemented the policy of requesting the Program site to notify the Fiscal Department in writing of any damaged equipment before it is discarded. In addition, St. Christopher-Ottillie is reinforcing its equipment safeguarding policies." Specifically, St. Christopher indicated that one item, a vacuum cleaner, was broken and therefore discarded; St. Christopher indicated that the digital camera was part of an imaging machine, which is reflected on the inventory listing; the camera that is part of that machine was upgraded from a Polaroid to a Sony Digital Camera. DYCD has notified St. Christopher-Ottillie that they must discuss with DYCD the disposition of equipment purchased with City of New York funds.

DYCD will continue to monitor St. Christopher-Ottillie, with special attention to ensure compliance with the corrective actions outlined herein.

Please feel free to contact me directly or the Director of Internal Review, Maggie Slane at (212) 676-8216, if you have any questions or concerns.

Sincerely,

  
Jeanne B. Mullgrav  
Commissioner

*Attachment*

- C: Michele F. Berman, *Deputy Commissioner for Administration*
- Lisette Nieves, *Chief of Staff*
- Jerry Schiffman, *Assistant Commissioner for Contract Agency Finance & Audit*
- Joseph Kovac, *Contract Agency Audit*
- Maggie Slane, *Director, Internal Review*
- Robert McMahon, *CEO, SCO, St. Christopher-Ottillie*
- Dewey Howard, *CFO, SCO, St. Christopher-Ottillie*
- Douglas O'Dell, *AED, SCO, St. Christopher-Ottillie*
- Meldre Lopez, *Contracts Manager, St. Christopher-Ottillie*
- Amparo Robayo, *Director of Finance, SCO, St. Christopher-Ottillie*
- Sharon Yorkes, *Program Dir, SCO, St. Christopher-Ottillie*



**ST. CHRISTOPHER - OTTILIE**  
Services For Children and Families  
Finance Department

(516) 759-1844  
(718) 895-2555  
Fax: (516) 759-6921

June 12, 2002

Mr. Joseph Kovac  
Director Agency Audit  
NYC Dept of Youth and Community  
Development  
156 Williams Street, 4<sup>th</sup> Fl  
New York NY 10038

Re: DYCD Code 9077

Dear Mr. Kovac:

As per our telephone conversation of today, please note that St. Christopher-Ottilie is implementing the following Corrective Plan of Action:

**Petty Cash:**

- Any Petty Cash expense submitted to our Finance Dept for reimbursement without the proper back-up receipt and the proper level of authorization is rejected and sent back to the program without payment.
- Any individual purchase using Petty Cash funds in excess of \$100 is also disallowed.

**Equipment:**

- The Finance Dept had sent a form to the program to notify of any damaged equipment before its disposition.
- St. Christopher-Ottilie's staff is now aware that we must notify DYCD Program and Fiscal Dept the disposition of any equipment purchased with DYCD funds.
- The digital camera is a part of the Imaging Machine. In our inventory listing, we accounted for the Imaging Machine and not for the individual components. It seems that when the equipment was installed, the brand name of the digital camera was not verified. The program Director had made efforts to get a written statement from the salesman. This as of today has not been possible.



**ST. CHRISTOPHER - OTTILIE**  
Services For Children and Families  
Finance Department

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St. Christopher-Ottilie is closely monitoring that Petty Cash and other Expenses incurred for DYCD funded programs are in compliance with DYCD Policies and Regulations.

In addition, please note that SCO is aware that any equipment purchased with DYCD funds is property of DYCD and that the equipment must be properly safeguarded.

Should you have any questions, please do not hesitate to contact me at (718) 895-2555, extension 343.

Sincerely,

  
Mercedes Lopez  
Contracts Dept Manager

Cc:

- Robert McMahon, CEO, SCO
- Dewey Howard, CFO, SCO
- Douglas O'Dell, AED, SCO
- Amparo Robayo, Dir of Finance, SCO
- Sharon Yorkas, Prog Dir, SCO