

AUDIT REPORT



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

Audit Report on the Oversight of the Covenant House Crisis Shelter Contract by the Department of Youth and Community Development

MD06-091A

June 30, 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 Department of Youth and Community Development's (DYCD) payments under its contract with the Covenant House for its Crisis Shelter program were valid and related to the operation of the Crisis Shelter and whether DYCD's monitoring efforts of the Crisis Shelter's bed-utilization rate were adequate.

Under the Covenant House's contract for its Crisis Shelter program with DYCD, Covenant House provides a 60-bed group residence and food, clothing, crisis-intervention counseling, case management, health care, education, and vocational services to young people in crisis. We audit contracts such as this to ensure that City contractors comply with the terms of their agreements.

The results of our audit, which are presented in this report, have been discussed with DYCD officials, and their comments have been considered in preparing 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

Report: MD06-091A

Filed: June 30, 2006

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

**Audit Report on the Oversight of the
Covenant House Crisis Shelter Contract by the
Department of Youth and Community Development**

MD06-091A

AUDIT REPORT IN BRIEF

This audit determined whether the Department of Youth and Community Development's (DYCD) payments under its contract with Covenant House for its Crisis Shelter program were valid and related to the operation of the Crisis Shelter and whether DYCD's monitoring efforts of the Crisis Shelter's bed-utilization rate were adequate.

DYCD facilitates youth and community development through contracts awarded to a broad network of community-based organizations throughout the city. Covenant House has been under contract with DYCD since May 2003 to provide services to children under the age of 21 through its Crisis Shelter program, which operates 24 hours a day, 365 days a year. Under the Covenant House's contract for its Crisis Shelter program with DYCD, Covenant House is required to provide a 60-bed group residence that serves as an immediate safe haven to young people in crisis. In addition to providing beds for runaway and homeless youths, Covenant House provides food, clothing, crisis-intervention counseling, case management, health care, education, and vocational services.

During Fiscal Year 2005, DYCD reimbursed Covenant House a total of \$640,207 from the \$640,208 annual contract amount—\$614,207 for PS and \$26,000 for OTPS expenses.

Audit Findings and Conclusions

DYCD payments covered by the contract with Covenant House for its Crisis Shelter program were generally valid and related to the operation of the Crisis Shelter. The payment amounts made to Covenant House reconciled with the expenditures accepted by DYCD as reported on the monthly Program Expense Report Summary (PERS) forms. The total payments of \$640,207 were made in accordance with the annual contract amount of \$640,208. DYCD reimbursed Covenant House a total of \$614,207 of the allowable \$614,208 for its Personal Service (PS) expenditures and all of the allowable \$26,000 for its Other than Personal Services (OTPS) expenditures. The OTPS expenditures were generally appropriate and adequately supported.

However, we identified several instances in which Crisis Shelter employees were paid for hours that were not adequately supported with timekeeping records. Nor did DYCD have any evidence documenting its monitoring of the bed-utilization rate or related discussions with Covenant House officials. Therefore, we were unable to determine whether DYCD adequately monitored the bed-utilization rates of the Crisis Shelter. In fact, of the Monthly Statistical Reports reviewed, Covenant House met the required monthly 95 percent bed-utilization rate only six times in Fiscal Year 2005. Finally, there was no evidence in the personnel files that the required inquiry to the Statewide Central Register of Child Abuse and Maltreatment (SCR) was made for one of the 18 Crisis Shelter employees reviewed. As a result, the Crisis Shelter had no assurance that this individual was cleared to work for the agency prior to being hired.

Audit Recommendations

To address these issues, we recommend that DYCD:

- Ensure that Covenant House maintains accurate and complete time records that reflect the hours worked by all employees covered under the Covenant House Crisis Shelter program contract.
- Document all monitoring of the Crisis Shelter bed-utilization rates and all contacts, including meetings and correspondence, with Covenant House officials on this matter.
- Ensure that inquiries are made to the SCR for all prospective employees covered under the Covenant House Crisis Shelter program contract, and that the responses are maintained in the employees' files.
- Ensure that Covenant House immediately checks with the SCR for the one employee cited in this report.

Agency Response

DYCD officials generally agreed with the audit's findings and recommendations.

INTRODUCTION

Background

The Department of Youth and Community Development facilitates youth and community development through contracts awarded to a broad network of community-based organizations throughout the city. Those contracts support a variety of youth services and activities, including leadership development and programs for runaway and homeless youth. Covenant House has been under contract with DYCD since May 2003 to provide services to children under the age of 21 through its Crisis Shelter program, which operates 24 hours a day, 365 days a year. The primary goal of the program is to bring about family reunification whenever possible or to provide appropriate stable housing placement.

Under the Covenant House Crisis Shelter program contract with DYCD, Covenant House is required to provide a 60-bed group residence that serves as an immediate safe haven to young people in crisis. The group residence provides 30 beds for runaway and homeless boys and girls under the age of 18, and 30 beds for runaway and homeless young men between 18 and 21 years of age. The youths are also provided with food, clothing, crisis-intervention counseling, case management, health care, education, and vocational services. To help youths learn about its Crisis Shelter program, Covenant House operates a toll-free telephone hotline and an outreach van that tours the city each night targeting young people on the street who need help.

On March 21, 2006, DYCD amended its contract with Covenant House to allow young women between 18 and 21 years of age to receive services from the Crisis Shelter. This amendment, effective July 1, 2005, revised the contract so that Covenant House would provide a total of 60 beds for runaway and homeless youths under the age of 21 on a first-come, first-served basis. The amended contract no longer sets allocations for the number of beds for minor youths and beds for young adults.

The contract covers the period May 2003 through April 30, 2006,¹ and provides Covenant House with an amount not to exceed \$1.9 million to fund personal service (PS) and other than personal service (OTPS) expenses for this program. DYCD requires Covenant House to submit monthly PERS forms to DYCD for reimbursement of its PS and OTPS expenditures. DYCD reviews these expenditure reports and makes reimbursement payments to Covenant House for allowable expenditures up to the annual contract amount. During Fiscal Year 2005, DYCD reimbursed Covenant House a total of \$640,207 from the \$640,208 annual contract amount—\$614,207 for PS and \$26,000 for OTPS expenses.

At the end of each fiscal year, DYCD contracts with an independent accounting firm to conduct a fiscal field review of the Crisis Shelter program, evaluating its fiscal and internal control structure. As part of this review, the independent accounting firm reviews Covenant

¹ DYCD has issued an RFP (Request for Proposals) for services to runaway and homeless youth and is presently evaluating all submitted proposals. This new contract will become effective July 1, 2006. To prevent a break in program services, the current contract with Covenant House has been extended to June 30, 2006.

House expenditure and timekeeping records, verifying that reimbursements were adequately supported and related to authorized services.

Objectives

The audit's objectives were to determine:

1. whether DYCD payments under its contract with Covenant House for its Crisis Shelter program were valid and related to the operation of the Crisis Shelter; and
2. whether DYCD monitoring efforts of the Crisis Shelter bed-utilization rate were adequate.

Scope and Methodology

This audit covered July 1, 2004, to June 30, 2005 (Fiscal Year 2005).

To achieve the audit objectives, we reviewed the contract between DYCD and Covenant House to identify the payments deemed authorized and reimbursable under the contract and the required bed-utilization rate.

To obtain an understanding of DYCD operations and its monitoring of the Covenant House Crisis Shelter program, the following materials were reviewed:

- The DYCD organization chart for its Youth Services Operations and Vulnerable Youth Division;
- The DYCD Runaway and Homeless Youth Program Implementation Manual;
- The DYCD Program Expense Report Summary (PERS) Procedures for Fiscal Analysts;
- The Covenant House Fiscal Year 2005 Monthly Statistical Reports of youths served and bed availability and utilization; and
- The Fiscal Year 2004 DYCD audit report on the Covenant House financial statements, as well as the DYCD audit report on the compliance and internal controls over Covenant House financial reporting².

Interviews were conducted with the DYCD Deputy General Counsel, Assistant Commissioner of Vulnerable Youth and Special Needs, Director of Internal Review, Director of Youth Initiatives, Director of Contract Agency Audit, and Director of Contract Agency Finance.

² The two audit reports are entitled "Audit Financial Statements with Independent Auditor's Report," issued July 29, 2005, and "Independent Auditor's Report on Compliance and Internal Control Over Financial Reporting Based on an Audit Performed in Accordance with Government Auditing Standards," issued July 29, 2005.

To obtain an understanding of Covenant House operations and the Crisis Shelter payment and reimbursement procedures, interviews were conducted with the Covenant House Director of Grants, Grants Coordinator, Director of the Crisis Shelter, and Deputy Director of Human Resources.

In addition, auditors reviewed the Covenant House organization chart, procedural manual, and audited financial statements for Fiscal Year 2004.

By obtaining and reviewing DYCD's Fiscal Year 2005 Contract Expense and Payment History report and the monthly PERS forms submitted by Covenant House, we determined whether the payments made to Covenant House for its Crisis Shelter program were in accordance with its contract with DYCD and the payment amounts reconciled with the expenditures accepted by DYCD as reported on the PERS forms. The PS and OTPS expenditure amounts reimbursed by DYCD were compared to the annual amount stipulated in the contract.

To determine whether Crisis Shelter employees were receiving the salaries contained in the monthly expenditure reports submitted to DYCD, we reviewed the payroll registers for the 22 employees (20 non-managerial employees and 2 managerial employees) for the randomly selected month of December 2004 to verify the \$67,761 in payroll expenses (\$57,153 in salary expense and \$10,608 in fringe benefits) reimbursed by DYCD. There were three paychecks issued during December 2004 covering the three payroll periods of November 15 to 28, 2004, November 29 to December 12, 2004, and December 13 to 26, 2004. The total payroll expense reimbursed by DYCD for Fiscal Year 2005 was \$614,207 (\$495,329 in salary expense and \$118,878 in fringe benefits).

The time records for the 20 non-managerial employees employed during the randomly selected four-week period of November 29 to December 26, 2004 were reviewed to determine whether Covenant House employees were paid correctly. The documents were examined for completeness, accuracy, and evidence of supervisory review. The daily attendance records were compared to the Weekly Time Record reports to determine whether all hours paid were documented on the time records. DYCD reimbursed a total of \$33,256 in salaries for those 20 employees for that four-week period.

We examined the personnel files for the 18 employees (17 non-managerial employees and 1 managerial employee) who were employed as of November 2005 to determine whether they were bona fide employees of Covenant House and whether proper approvals were obtained when the employees were hired. In addition, we determined for each of the 18 employees whether an inquiry was made to the SCR for any history of child abuse or maltreatment prior to their employment, as required by the New York State Runaway and Homeless Youth Act.

To determine whether Covenant House maintained complete and accurate records to support its OTPS expenditures for the Crisis Shelter, we reviewed the payments listed on the expenditure report submitted to DYCD for the randomly selected month of December 2004. The payments for that month totaled \$5,800 (22% of the \$26,000 in total OTPS expenditures reimbursed by DYCD during Fiscal Year 2005). Each payment was traced to its supporting

documents to determine whether the expenditures were properly authorized, reasonable, and necessary for the operation of the Crisis Shelter.

To verify the accuracy of the monthly bed-utilization rates listed on the Monthly Statistical Reports prepared by Covenant House and submitted to DYCD, we compared the daily bed-use reports for the randomly selected months of October through December 2004 with the amounts listed on the corresponding Monthly Statistical Report. In addition, all Fiscal Year 2005 Monthly Statistical Reports were reviewed to determine whether the monthly bed-utilization rate met or exceeded the monthly rate of 95 percent required by the contract with DYCD.

To determine whether DYCD has any procedures in place to monitor the bed-utilization rates at the Crisis Shelter, auditors reviewed DYCD written procedures. We requested any evidence documenting DYCD monitoring efforts during Fiscal Year 2005 and all correspondence DYCD had with Covenant House for those months during Fiscal Year 2005 in which the monthly bed-utilization rate fell below the contract rate of 95 percent.

We verified whether Covenant House contract for its Crisis Shelter program was registered with the Comptroller's Office, as required by Chapter 13, §328, of the City Charter.

The results of the above-mentioned tests regarding reimbursement payments by DYCD for the PS and OTPS expenses of Covenant House and the monitoring of bed-utilization rates were not projected to all reimbursements of PS and OTPS expenses or to the monitoring of bed utilization for the entire audit period. However, those tests provide a reasonable basis to assess DYCD oversight of compliance with the reimbursement provisions of the contract and with bed-utilization rates at the Crisis Shelter.

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 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 DYCD and Covenant House officials during and at the conclusion of this audit. A preliminary draft report was sent to DYCD officials and discussed at an exit conference held on May 24, 2006. On June 2, 2006 we submitted a draft report to DYCD officials with a request for comments. We received a written response from DYCD officials on June 19, 2006. In their response, DYCD officials generally agreed with the audit's findings and recommendations.

The full text of the DYCD response is included as an addendum to this report.

FINDINGS

DYCD's payments covered by the contract with Covenant House for its Crisis Shelter program were generally valid and related to the operation of the Crisis Shelter. The payment amounts made to Covenant House reconciled with the expenditures accepted by DYCD as reported on the monthly PERS forms. The total payments of \$640,207 were made in accordance with the annual contract amount of \$640,208. DYCD reimbursed Covenant House a total of \$614,207 of the allowable \$614,208 for its PS expenditures and all of the allowable \$26,000 for its OTPS expenditures. The OTPS expenditures were generally appropriate and adequately supported.

However, we identified several instances in which Crisis Shelter employees were paid for hours that were not adequately supported with timekeeping records. DYCD also had no evidence documenting its monitoring of the bed-utilization rate or related discussions with Covenant House officials. Therefore, we were unable to determine whether DYCD adequately monitored the bed-utilization rates of the Crisis Shelter. In fact, of the Monthly Statistical Reports reviewed, Covenant House met the required monthly 95 percent bed-utilization rate only six times in Fiscal Year 2005. Finally, there was no evidence in the personnel files that the required inquiry to the Statewide Central Register of Child Abuse and Maltreatment was made for one of the 18 Crisis Shelter employees reviewed. As a result, the Crisis Shelter had no assurance that this individual was cleared to work for the agency prior to being hired.

Each of these issues is discussed in greater detail in the following sections of the report.

OTPS Expenditures Were Adequately Supported

Our review of the OTPS expenditure amounts reported to DYCD on the December 2004 monthly PERS revealed that those expenditure amounts were valid and necessary for the operation of the Crisis Shelter and contained the proper authorizations.

The expenditures, totaling \$5,800 (22% of the \$26,000 in total OTPS expenditures reimbursed by DYCD during Fiscal Year 2005) that were submitted for reimbursement included payments for phone service, networking fees, and heating oil relating to the operation of the Crisis Shelter, as well as travel expenses for children to attend school and job interviews. All the reported expenditures were adequately supported by documentation and approved by the appropriate Covenant House personnel.

Inadequate Documentation of PS Expenditures

Although the Crisis Shelter employees were receiving the salaries claimed by Covenant House on the December 2004 monthly PERS, we found that 17 employees may have been paid a total of \$5,934 for hours not worked.

Our review of the four-week period of November 29 to December 26, 2004, revealed that Crisis Shelter employees were paid for hours worked that were not reflected on the daily attendance records. Overall, there were 80 instances in which the Weekly Time Record reports were not adequately supported by the daily attendance records. The following discrepancies were noted:

- 33 instances (relating to nine employees) in which the daily attendance sheets were blank for certain workdays, yet the Weekly Time Record reports for those employees indicated that they worked on those days (pay for unsupported hours = \$3,208);
- 30 instances (relating to five employees) in which employees failed to sign out on the daily attendance sheets (pay for unsupported hours = \$2,572); and
- 17 instances (relating to 8 employees) in which the daily sign-in or sign-out times did not agree with the Weekly Time Record reports (pay for unsupported hours = \$154).

In total, \$5,934 (17.8%) of the \$33,256 in salaries reimbursed by DYCD for this four-week period could not be substantiated by timekeeping documentation. One employee never signed in and out for the entire four-week review period. The Director of the Crisis Shelter stated that she was aware of this and had addressed this matter with the employee. The Director also said that some employees do not sign in and out as they should, but that they are present at the job. Notwithstanding the Director's contention, without supporting timekeeping records, the Crisis Shelter is unable to verify that all hours for which employees were paid were actually worked. By not ensuring that Covenant House strictly controls its timekeeping practices, DYCD is possibly paying for services that have not been rendered.

At the exit conference, the Director of Audit informed us that the Fiscal Manual used by DYCD contracted agencies is being revised to address internal controls over timekeeping practices. As part of this revision, the Director said, DYCD will remind the contracted agencies that reimbursement requests should be based on actual costs. In addition, DYCD will require that the time sheets for employees covered under DYCD contracts are reviewed and signed by the employees' supervisors, ensuring that the time sheets accurately reflect the number of hours worked by the employees.

Lack of Documentation over the Monitoring of Bed-Utilization Rates

DYCD was unable to provide evidence of its monitoring of monthly bed-utilization rates to ensure that Covenant House achieved a 95 percent monthly bed-utilization rate as the minimum level of service required by the contract. This raised questions as to the adequacy of DYCD's oversight of the contract.

Covenant House did not maintain a 95 percent monthly bed-utilization rate as a minimum level of service during six months in Fiscal Year 2005. For these six months, the bed-utilization rates ranged from 83 percent to 93 percent. However, there was no documentary evidence, such

as written notations or DYCD approvals on the Monthly Statistical Reports, to indicate that DYCD reviewed these bed-utilization rates.

According to the DYCD Director of Internal Review, DYCD personnel “regularly monitor those rates because they provide insight as to the program activities, and alert DYCD to any possible problems with the contract or program implementation . . . As with other outcomes, we work with our contractors to improve utilization rates if they present an on-going issue. We would create a corrective active plan and provide technical assistance where relevant.” We asked her to provide all monitoring reports and/or correspondence with Covenant House officials regarding the bed-utilization rates for those six months in which the rate fell below the required 95 percent rate. She stated that no such documentation exists. However, she stated that the decrease in the bed-utilization rates was reviewed by DYCD. The Director told us that DYCD discovered that Covenant House had been seeking DYCD reimbursement for providing services to youths who were 21 years of age. According to the Director, although Covenant House provides services to this age group, regulations do not allow DYCD to fund services for youths beyond their 21st birthday. As a result, Covenant House could not report those youths and this caused a slight dip in the reported number of youths served.

Later in Fiscal Year 2005, according to the Director of Internal Review, DYCD determined that the bed-utilization rates being reported by Covenant House did not adequately reflect the services provided. The original contract did not cover services provided to young women between 18 and 21 years of age. Therefore, while Covenant House was providing services to this age group, it was not reporting them to DYCD. DYCD amended the contract, effective July 1, 2005, to allow Covenant House to include young women between 18 and 21 years of age in the reported number of youths served by the Crisis Shelter program. Since this modification, the bed-utilization rate not only reached but exceeded the 95 percent monthly rate. In fact, according to the Monthly Statistical Reports, the monthly bed-utilization rate at Covenant House was 100% each month from July through September 2005.

At the exit conference, the Assistant Commissioner of Vulnerable Youths and Special Needs acknowledged that the communication with Covenant House regarding the bed-utilization rates was not always documented. However, she told us that Covenant House does provide them with daily and monthly bed-utilization reports and that these reports are reviewed by DYCD. She also told us that as a result of the review of the bed-utilization reports, DYCD identified the two program issues cited in the report—Covenant House seeking reimbursement for providing services to youths who were 21 years of age and thereby not covered by the contract, and the contract not covering services provided to women between 18 and 21 years of age—and have taken corrective actions, including a modification of the current contract, as described above. Nevertheless, in the absence of documentary evidence of DYCD’s review of bed-utilization reports, we cannot ascertain whether DYCD’s identification of the above-mentioned issues resulted from reviewing the bed-utilization reports.

Furthermore, the Deputy Commissioner of Youth Services acknowledged DYCD needs to be more proactive in monitoring its contracted programs, and said that steps have already been taken to address this. DYCD recently hired four employees to assist in the monitoring of its various contracted programs and to perform various site visits throughout the year to ensure that

the contracted agencies are in compliance with DYCD procedures and with contract provisions. It has also instituted a telephone log to help document the communication between DYCD and its contracted agencies, as most of its communication with the contracted agencies is via telephone.

Other Matter:

Inquiry to State Central Register Not Found for One Employee

There was no evidence in the personnel files that the required inquiry to the SCR was made for one of the 18 Crisis Shelter employees reviewed. As a result, the Crisis Shelter had no assurance that this individual was cleared to work for the agency prior to being hired.

According to New York State Runaway and Homeless Youth Act, §182-1.9 (h), Child Abuse Screening, “applicants for employment or voluntary service in residential programs shall be screened through the statewide central register of child abuse and maltreatment . . . [and] programs shall maintain the screening information obtained from the state central register of child abuse and maltreatment in the employee’s personnel file.”

The Covenant House Director of Grants and Deputy Director of Human Resources could not provide us with the SCR clearance letter for the one employee, but told us that an inquiry to the SCR database had been made and that Covenant House would not hire any applicant unless it received SCR clearance stating that the applicant had no prior history of child abuse or maltreatment. However, without record of a response from the SCR, we could not determine whether this employee had any history of child abuse or maltreatment or whether Covenant House had made an inquiry to the SCR prior to employment.

At the exit conference, the DYCD Director of Youth Initiatives informed us that Covenant House officials resubmitted an inquiry to SCR for this employee and are presently waiting for the response.

RECOMMENDATIONS

DYCD should:

1. Ensure that Covenant House maintains accurate and complete time records that reflect the hours worked by all employees covered under the Covenant House Crisis Shelter program contract.

DYCD Response: “Information about timekeeping and payroll requirements will be reemphasized in a revised DYCD Fiscal Manual for contractors to take effect July 1, 2006. DYCD will continue to work closely with Covenant House to improve its timekeeping practices. DYCD will meet with Covenant House to discuss the outcome of this audit and request a corrective action plan. To monitor compliance, DYCD will review and compare timesheets and sign-in out logs when conducting site visits at Covenant House.”

2. Document all monitoring of the Crisis Shelter bed-utilization rates and all contacts, including meetings and correspondence, with Covenant House officials on this matter.

DYCD Response: “. . . DYCD provided the auditors extensive evidence that it monitored the bed utilization rate, and months before the audit began, DYCD took steps to improve management of the Covenant House Crisis Shelter contract. . . .

“Five months prior to the beginning of this audit, the new Runaway and Homeless Youth unit personnel reviewed the reports on the bed utilization rate at the Crisis Shelter and took immediate action to improve it: DYCD initiated an amendment to the Crisis Shelter contract that took effect July 1, 2005. Since then . . . the Crisis Shelter bed utilization rate has been 100 percent.

“To date in FY 2006, DYCD has visited Covenant House more than eleven times to monitor its contract compliance; each site visit was documented in writing. DYCD has also reinforced the practices of maintaining written records of telephone conversations with contractors and minutes of contractor meetings.

“In FY 2007 DYCD intends to continue to strengthen both its monitoring of Covenant House and the documentation thereof when a new contract for Crisis Shelter Services takes effect on July 1, 2006.”

Auditor Comment: DYCD officials state that they provided “the auditors with extensive evidence” of its monitoring of the bed-utilization rates. However, we received no such evidence. None of the Monthly Statistical Reports submitted by Covenant House had any written notations or DYCD approvals indicating a review had been done of the bed-utilization rates. Furthermore, regarding the six months in which the bed-utilization rates fell below 95 percent, DYCD officials claim that they reviewed these statistics and discussed them with Covenant House officials. However, DYCD could not provide any documentary evidence of their discussions.

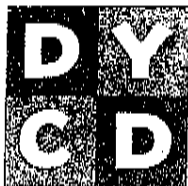
Since the *DYCD Runaway and Homeless Youth Program Implementation Manual* (Manual) states that trends and performance of the Monthly Statistical Reports are to be discussed with contractors, we would have expected to find documentation of the discussions. Furthermore, the Manual states that “the contractors shall not operate the shelter below the respective occupancy rates without the prior written approval of the RHYP [Runaway and Homeless Youth Program] Coordinator.” We did not find any such approvals for the six months during Fiscal Year 2005 in which the bed-utilization rate was below 95 percent.

3. Ensure that inquiries are made to the State Central Register of Child Abuse and Maltreatment for all prospective employees covered under the Covenant House Crisis Shelter program contract, and that the responses are maintained in the employees’ files.

DYCD Response: “. . . DYCD will . . . ensure that every Crisis Shelter employee file has the SCR clearance.”

4. Ensure that Covenant House immediately checks with the State Central Register of Child Abuse and Maltreatment for the one employee cited in this report.

DYCD Response: “Covenant House requested a clearance of the employee cited in the report on May 17, 2006. This person has been taken off of the work schedule at Covenant House until the SCR clearance is obtained. As of June 9, 2006, clearance has not yet been provided.”



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Commissioner

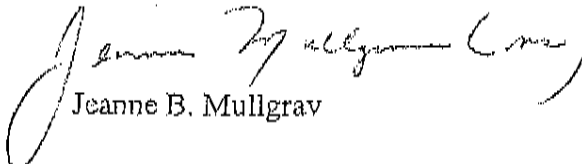
June 19, 2006

John Graham
Deputy Comptroller, Audits, Accountancy and Contracts
Office of the Comptroller
1 Centre Street
New York, New York 10007

Dear Mr. Graham:

The Department of Youth and Community Development (DYCD) appreciates the opportunity to respond to the June 2, 2006 Draft Audit Report on Oversight of the Crisis Shelter Contract with Covenant House by the Department of Youth and Community Development (Draft Audit Report). Please find attached the DYCD response, including an Implementation Plan, to each of the recommendations set forth in the Draft Audit Report.

Sincerely,


Jeanne B. Mullgrav

Attachment

DYCD Response to Draft Audit Report

Response and Agency Implementation Plan

Comptroller's Recommendation #1: Ensure that Covenant House maintains accurate and complete time records that reflect the hours worked by all employees covered under the Crisis Shelter contract.

DYCD Response: Information about timekeeping and payroll requirements will be reemphasized in a revised DYCD Fiscal Manual for contractors to take effect July 1, 2006. DYCD will continue to work closely with Covenant House to improve its timekeeping practices. DYCD will meet with Covenant House to discuss the outcome of this audit and request a corrective action plan. To monitor compliance, DYCD will review and compare timesheets and sign-in out logs when conducting site visits at Covenant House.

Comptroller's Recommendation #2: Document all monitoring of the Crisis Shelter bed-utilization rates and all contacts, including meetings and correspondence, with Covenant House.

DYCD Response: The Draft Audit Report states that the auditors "cannot ascertain whether DYCD's identification of the above-mentioned issues (bed utilization) resulted from reviewing the utilization reports or, for example, due to this audit." In fact, DYCD provided the auditors extensive evidence that it monitored the bed utilization rate, and months before the audit began, DYCD took steps to improve management of the Covenant House Crisis Shelter contract.

Beginning six months prior to the entrance conference of this audit, the Commissioner of DYCD enhanced the Runaway and Homeless Youth unit. She appointed three new staff to critical positions managing Runaway and Homeless Youth programs: a newly-created position of Assistant Commissioner for Vulnerable Youth, a Director of Special Youth Initiatives, and a Contract Manager. These appointments have resulted in greatly improved monitoring and coordination with the New York State Office of Children and Family Services (OCFS).

Five months prior to the beginning of this audit, the new Runaway and Homeless Youth unit personnel reviewed the reports on the bed utilization rate at the Crisis Shelter and took immediate action to improve it: DYCD initiated an amendment to the Crisis Shelter contract that took effect July 1, 2005. Since then, as cited in the Draft Audit Report, the Crisis Shelter bed utilization rate has been 100 percent.

To date in FY 2006, DYCD has visited Covenant House more than eleven times to monitor its contract compliance; each site visit was documented in writing. DYCD has also reinforced the practices of maintaining written records of telephone conversations with contractors and minutes of contractor meetings.

In FY 2007 DYCD intends to continue to strengthen both its monitoring of Covenant House and the documentation thereof when a new contract for Crisis Shelter services takes effect on July 1, 2006.

Comptroller's Recommendation #3: Ensure that inquiries are made to the State Central Register of Child Abuse and Maltreatment for all prospective employees covered under the Crisis Shelter contract, and that the responses are maintained in the employees' files.

DYCD Response: The report states that "records of background inquiries to the Statewide Central Register of Child Abuse and Maltreatment (SCR) were not completed and maintained in the Crisis Shelter personnel files for all employees." This statement implies that the inquiries were missing from personnel files for *all* of the Crisis Shelter employees. In fact, auditors found that records of SCR clearance were maintained in the personnel files of all but two of the eighteen Crisis Shelter employees, and at the exit conference, DYCD provided the SCR clearance for one of the employees whose name had changed since her clearance was obtained.

DYCD and OCFS currently extensively review Crisis Shelter personnel files. DYCD will continue this practice and will ensure that every Crisis Shelter employee file has the SCR clearance.

Comptroller's Recommendation #4: Ensure that Covenant House immediately checks with the State Central Register of Child Abuse and Maltreatment for the one employee cited in this report.

DYCD Response: Covenant House requested a clearance of the employee cited in the report on May 17, 2006. This person has been taken off of the work schedule at Covenant House until the SCR clearance is obtained. As of June 9, 2006, clearance has not yet been provided.