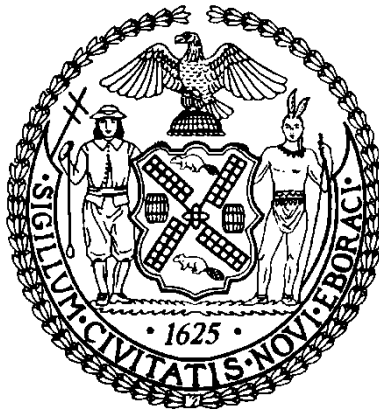


**CITY OF NEW YORK
OFFICE OF THE COMPTROLLER**

**John C. Liu
COMPTROLLER**

MANAGEMENT AUDIT

**Tina Kim
Deputy Comptroller for Audit**



**Audit Report on the Contract between the
Administration for Children's Services and the
Northeast Bronx Day Care Center, Inc. for Day
Care Services at the Susan E. Wagner Day Care
Center**

MD10-069A

June 1, 2011

<http://comptroller.nyc.gov>



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

John C. Liu
COMPTROLLER

June 1, 2011

To the Residents of the City of New York:

My office has audited the contract between the Administration for Children's Services (ACS) and the Northeast Bronx Day Care Center, Inc. (NEBDCC) for day care services at the Susan E. Wagner Day Care Center (Center). We audit entities that have entered into contracts with City agencies as a means of increasing accountability and ensuring that City funds received and expended are in compliance with the contract terms.

The audit found a lack of control over the \$867,888 in revenues that NEBDCC received from the City for the period reviewed. Due to insufficient records, however, the full extent of the misspent funds and overcharges to ACS that may have occurred could not be determined. NEBDCC is operating without an approved salary allocation plan and maintained no supporting documentation justifying the salary allocations for those employees who work for the Center and who also work for other NEBDCC-sponsored programs. NEBDCC also incorrectly and inconsistently charged expenditures to ACS and failed to allocate certain expenditures among all the NEBDCC-sponsored programs that received the benefit. Further, the audit found that ACS inadequately monitored and reviewed the Center's expenditures, thereby allowing these conditions to occur.

The audit makes 16 recommendations to both ACS and NEBDCC, including that NEBDCC officials should develop a cost allocation plan and ensure that the appropriate allocation percentage is used when charging expenditures to its various programs. In addition, ACS officials should review the salaries of the employees covered by the ACS contract and recoup monies paid for any portions of their salaries that are not attributable to the ACS-contracted services and review the expenditures submitted by NEBDCC to ensure that the funds provided are used to benefit the Center.

The results of the audit have been discussed with ACS and NEBDCC officials, and their comments have been considered in preparing this report. Their complete written response is attached to this report.

If you have any questions concerning this report, please e-mail my audit bureau at audit@comptroller.nyc.gov.

Sincerely,

A handwritten signature in black ink, appearing to read "JCL", written over the printed name "John C. Liu".

John C. Liu

Table of Contents

AUDIT REPORT IN BRIEF 1

 Audit Findings and Conclusions..... 1

 Audit Recommendations..... 2

 Agency Response..... 2

INTRODUCTION..... 3

 Background..... 3

 Objectives 4

 Scope and Methodology 4

 Discussion of Audit Results..... 7

FINDINGS AND RECOMMENDATIONS 8

 NEBDCC Failed to Properly Allocate Expenses for the ACS Program..... 8

 Operating without an ACS-Approved Salary Allocation Plan 8

 Incorrect and Inconsistent Allocation of OTPS Expenditures 10

 Failure to Allocate Expenditures 11

 Recommendations..... 12

 Employees Paid for Hours Not Reflected on Time Cards 13

 Recommendations..... 15

 Other Weaknesses..... 15

 Commingling of Funds 15

 Late Fees and Charges Incurred..... 16

 Recommendations..... 16

 Inadequate Review of Center Expenditures by ACS..... 17

 Recommendation 18

Addendum Administration for Children’s Services and Northeast Bronx Day Care Center,
Inc. Response

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

**Audit Report on the Contract between the Administration
for Children's Services and the Northeast Bronx Day Care
Center, Inc. for Day Care Services at the Susan E. Wagner
Day Care Center**

MD10-069A

AUDIT REPORT IN BRIEF

We performed an audit of the contract between the Administration for Children's Services (ACS) and the Northeast Bronx Day Care Center, Inc. (NEBDCC) for day care services at the Susan E. Wagner Day Care Center (Center). Specifically, the audit determined whether the NEBDCC appropriately managed City revenues received and expended for the Center and whether appropriate background investigations were conducted of its employees.

The Center is a not-for-profit organization sponsored by NEBDCC and is located at 1140 East 229th Street in the Bronx. During Fiscal Year 2009, NEBDCC was under contract with ACS to provide child care services at the Center for approximately 115 pre-school children (two-and-a-half to six years of age). On December 1, 2008, NEBDCC took over the ACS-funded group child care program operated by the Victory Day Care Center Inc. (Victory), located at 3440 White Plains Road in the Bronx. Victory was also under contract with ACS to provide child care services for 55 pre-school children (two-and-a-half to six years of age). To reflect the additional funds for NEBDCC to operate Victory, ACS modified the original budget of the child care contract. In Fiscal Year 2009, NEBDCC received City funds totaling \$867,888 for both day care center locations.

Audit Findings and Conclusions

The audit found that NEBDCC did not appropriately manage the City revenues it received and expended for the Center. However, NEBDCC did conduct appropriate background investigations of the Center's employees.

There was a lack of control over the \$867,888 in revenues that NEBDCC received from the City for the period reviewed, a large portion of which was received for the Center. NEBDCC is operating without an approved salary allocation plan and maintained no supporting documentation justifying the salary allocations for those employees who work for the Center and who also work for other NEBDCC-sponsored programs. NEBDCC also incorrectly and

inconsistently charged expenditures to ACS and failed to allocate certain expenditures among all the NEBDCC-sponsored programs that received the benefit. Due to insufficient records, however, the full extent of the misspent funds and overcharges to ACS that may have occurred could not be determined. Further, we found that ACS inadequately monitored and reviewed the Center's expenditures, thereby allowing these conditions to occur. As a result of these inadequate controls, NEBDCC improperly charged and was reimbursed by ACS for services not provided and for goods that ACS did not receive any benefit from.

On a positive note, with regard to background investigations of employees, the personnel files generally included all the required documentation, such as reviews of criminal background investigations and training in recognizing abuse and maltreatment of children.

Audit Recommendations

Based on our findings, we make 16 recommendations, including that:

NEBDCC officials should:

- Develop a cost allocation plan, with the assistance of ACS, that accurately reflects the number of hours spent working on the various programs sponsored at the Center.
- Ensure that the appropriate allocation percentage is used when charging expenditures to its various programs. When a manual allocation method is used, the methodology and justification should be indicated on the payment records.

ACS officials should:

- Review the salaries of the employees covered by the ACS contract and recoup monies paid for any portions of their salaries that are not attributable to the ACS-contracted services.
- Review the expenditures submitted by NEBDCC for reimbursement and the documentation supporting the expenditures to ensure that the funds provided are used to benefit the Center as described in the contract with NEBDCC.

Agency Response

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

INTRODUCTION

Background

The Center, founded in 1962, is a not-for-profit organization sponsored by NEBDCC. The Center, at 1140 East 229th Street in the Bronx, is open Monday through Friday from 8:00 a.m. to 6:00 p.m.

During Fiscal Year 2009, NEBDCC was under contract with ACS to provide child care services at the Center for approximately 115 pre-school children (two-and-a-half to six years of age).¹ On December 1, 2008, NEBDCC took over the ACS-funded group child care program operated by Victory, located at 3440 White Plains Road in the Bronx. Victory was also under contract with ACS to provide child care services for 55 pre-school children (two-and-a-half to six years of age).

To reflect the additional funds for NEBDCC to operate Victory, ACS modified the original budget of the child care contract. Specifically, in Fiscal Year 2009, NEBDCC received City funds totaling \$867,888 for both day care center locations. ACS also reported that there was an additional \$170,261 in Parent Fees² due to NEBDCC for both day care centers, which supplemented the funding provided by ACS. The total expenditures for the Center and Victory for Fiscal Year 2009 as reported in NEBDCC's ledger are \$966,522. Table I shows the breakdown of the expenditures between the Center and Victory. However, we were unable to determine the breakdown of the revenues received by each day care center. The expenditures of each center were not segregated on the Child Agency Payment System (CAPS) Report³ submitted to ACS. As there was only one operating budget for both day care centers, ACS required only one CAPS report to be submitted monthly. Because the expenditures were combined on these reports, ACS's reimbursement payments for these two centers were also combined.

Table I
Breakdown of Expenditures for the Center and Victory

Expenditure Category	Center	Victory	Totals	%
Personal Services (PS)	\$666,644	\$194,434	\$861,078	89.1
Other Than Personal Services (OTPS)	\$81,198	\$24,246	\$105,444	10.9
Totals	\$747,842	\$218,680	\$966,522	100.0

¹ Child care services as defined by Article 47 of the New York City Health Code means any program providing child care for five or more hours per week, for more than 30 days in a 12-month period, to three or more children under six years of age.

² In certain cases, parents may be required to pay a fee (parent fee) towards the cost of child care based on their financial eligibility, which is determined by a family's gross income taking into consideration the family's size. The parent fees for child care services are based on a sliding scale determined by New York State and are used to offset funding provided by ACS for child care services.

³ The Child Agency Payment System (CAPS) Reports are reports of the personal service (PS) and OTPS expenditures incurred as well as the amount of parent fees collected during the month; these reports must be submitted to ACS monthly.

Tuition for all children attending the day care program at the Center and Victory is either fully or partially paid by ACS. For children whose tuition is partially paid by ACS, the balance of their tuition is paid by their parents.

In addition to the day care program, NEBDCC also operates programs for Universal Pre-kindergarten (UPK) and Head Start at the Center location. NEBDCC has four locations. In addition to the Center and Victory, NEBDCC also operates the Susan E. Wagner Day School and the Day School at Riverdale.

NEBDCC maintains separate bank accounts for each of their programs⁴. However, NEBDCC uses one account it designated to receive electronic fund transfers (EFT account) from the City for all its programs and uses the General Account to issue checks for payments related to all programs. NEBDCC has a contract with an independent fiscal consultant, who is responsible for the review and oversight of NEBDCC's financial operations. According to the audited financial statements, NEBDCC received a total of \$7.97 million in funding from government and private sources in Fiscal Year 2009.

Objectives

The objectives of this audit were to determine whether the NEBDCC appropriately managed City revenues received and expended for the Center and whether appropriate background investigations were conducted of its employees.

Scope and Methodology

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives. This audit was conducted in accordance with the audit responsibilities of the City Comptroller as set forth in Chapter 5, §93, of the New York City Charter.

The audit scope was Fiscal Year 2009.

To obtain an understanding of the child care services provided by the Center, we reviewed the day care contract between NEBDCC and ACS as well as applicable State and City regulations and ACS's policies and procedures governing child care services. We also reviewed the certified Fiscal Year 2009 financial statements, ACS's *Financial Services Guide - Child Care*

⁴ According to its Fiscal Year 2009 audited financial statements, NEBDCC has 13 bank accounts for its programs. There are two general accounts that are used by all of its programs (the General Operating and Payroll checking accounts) and 11 accounts designated for its sponsored programs. The audited financial statements identifies the following program-specific bank accounts—ACS (day care program), USDA, Head Start, Special Education, UPK, Early Intervention, Day School, and Riverdale.

Services Payment Audit Budget (Financial Services Guide), and ACS's evaluation reports regarding the Center's operations.

To gain an understanding of ACS's oversight responsibilities regarding child care services, we interviewed the Director of Payment Services, the Associate Commissioner of the Eligibility Unit, and the Director and the Bronx Resource Area Program Consultants from the Division of Child Care and Head Start's Quality Enhancement and Training Unit.

To obtain an overview of the Center's internal control structure and the operations as it relates to the ACS-contracted day care program services, we interviewed officials responsible for overseeing the Center's daily operations, including the Executive Director and Fiscal Consultant. In addition, we reviewed the Center's collective bargaining agreements and NEBDCC's *Accounting & Financial Policies and Procedures Manual*.

We examined the Fiscal Year 2009 personnel files for all Center employees to determine whether the appropriate background investigations were conducted. We looked for evidence of I-9 documents (Employment Eligibility Verification), an annual health examination, a criminal-history record check by the Department of Investigation, and an inquiry to the Statewide Central Register of Child Abuse and Maltreatment (SCR) for any history of child abuse or maltreatment. We also determined whether Center employees received the mandatory training in identifying child abuse and maltreatment.

To determine whether all funds received by NEBDCC from ACS were properly deposited, we reviewed the Fiscal Year 2009 bank statements and deposit slips for the bank account relating to City funds. We also determined whether NEBDCC maintained a separate bank account for ACS funds as required.

To determine whether NEBDCC reported all the parent fees collected to ACS, we obtained the Automated Attendance and Fee Records (attendance records)⁵, the CAPS reports, the Parent Fee Cash Receipts Journal, the deposit slips, and bank statements for Fiscal Year 2009. We compared the amounts reported on each of these reporting tools to ensure that the amounts reported as collected matched. We then determined whether the parent fees collected as per the attendance records, CAPS report, and parent fee cash receipts journal agreed with the dollar amount deposited. We also determined whether the parent fees collected were deposited into the bank account containing ACS funds as required.

We reviewed NEBDCC's bank reconciliations for the months of July 2008 through September 2009 to determine whether the bank reconciliations were accurately prepared and completed in a timely manner. In addition, we reviewed NEBDCC's General Account bank statements to determine whether the checks that were listed as outstanding and then cleared as per the bank reconciliations were actually cleared. We also determined whether there were any checks that remained outstanding for more than six months, and, if so, that these checks were properly canceled by NEBDCC.

⁵ The attendance records list the number of weeks the child was in attendance and the parent fees due and paid.

We randomly selected and reviewed three months of the CAPS reports (July 2008 and February and March 2009) to determine whether the PS and OTPS expenditures reported by NEBDCC were accurate. We requested and reviewed the payroll register reports and supporting schedules identifying the breakdown of the OTPS expenditure amounts included on the sampled CAPS reports.

To determine whether the Center is expending ACS funds on legitimate expenses related to its day care program, we examined the breakdown of OTPS expenditures for the three randomly selected months (July 2008 and February and March 2009) as reported on the CAPS report and made to the Center by ACS. We reviewed NEBDCC's bank statements, canceled checks, and supporting documentation for the three sampled months to determine whether the expenditures were legitimate, properly allocated to the programs that received the service, and related to the daily operations of the day care program. In addition, we determined whether all canceled checks were on file and signed by authorized individuals. Furthermore, we determined whether late fees and charges were assessed and paid.

To determine whether any OTPS expenditures were inappropriately charged to multiple programs, we obtained electronic copies of the general ledgers for all programs sponsored by NEBDCC. We sorted the general ledgers by expense account number to identify possible duplicate payments which would indicate that the same expenditure was being charged to more than one program. In addition, we determined whether any checks were issued from the general account to employees and requested further explanation and documentation to support the payments.

To determine whether the Center employees were paid correctly, we judgmentally selected 13 of the 26 employees and reviewed the supporting time and payroll records for the pay periods ending July 4, 2008, through January 2, 2009. We reviewed the employees' time cards, leave records, and associated payroll registers to determine whether the employees clocked in and out each day, the hours paid were properly calculated and agreed with the hours indicated on the payroll registers, accurate leave records were maintained, and proper approvals were indicated on all timekeeping records.

To determine whether the Center employees who worked for more than one NEBDCC-sponsored program appropriately allocated their time, we reviewed NEBDCC's employee time allocation methodology and timecards and compared the hours worked for the Center program with the number of hours paid and reimbursed by ACS. We also requested any records identifying the hours worked by each of the employees for the various programs provided at the Center location. In addition, we reviewed the payroll registers for the entire NEBDCC for six judgmentally selected pay periods to determine whether Center employees were being paid from other programs operating at different locations sponsored by NEBDCC. We selected the pay periods ending October 10, 2008, October 24, 2008, November 7, 2008, February 13, 2009, February 27, 2009, and March 13, 2009.

We reviewed the prior audit report entitled, "Audit Report on the Susan E. Wagner Day Care Center and Its Use of City Funds under Its Contract with the Administration for Children's Services (Audit # MD03-175A, issued June 21, 2004) and identified prior internal control

weaknesses related to the current audit objective and determined whether the weaknesses still existed.

The results of the above-mentioned tests, while not projected to their respective populations, provided a reasonable basis to determine whether the Center appropriately managed City revenues it received and expended.

Discussion of Audit Results

The matters covered in this report were discussed with ACS and Center officials during and at the conclusion of this audit. A preliminary draft report was sent to ACS and Center officials and discussed at an exit conference held on March 21, 2011. On April 4, 2011, we submitted a draft report to ACS and Center officials with a request for comments. We received a written response from ACS and Center officials on April 22, 2010. ACS and Center officials generally agreed with the audit's findings and recommendations.

The full text of the ACS and Center response is included as an addendum to this report.

FINDINGS AND RECOMMENDATIONS

The audit found that NEBDCC did not appropriately manage the City revenues it received and expended for the Center. However, NEBDCC did conduct appropriate background investigations of the Center's employees.

There was a lack of control over the \$867,888 in revenues that NEBDCC received from the City for the period reviewed, a large portion of which was received for the Center. NEBDCC failed to properly allocate its expenditures to ensure that only those related to the Center were charged to ACS. Due to insufficient records, however, the full extent of the misspent funds and overcharges to ACS that may have occurred could not be determined. Further, we found that ACS inadequately monitored and reviewed the Center's expenditures, thereby allowing these conditions to occur.

As a result of these inadequate controls, NEBDCC improperly charged and was reimbursed by ACS for services not provided and for goods that ACS did not receive any benefit from.

On a positive note, with regard to background investigations of employees, the employees' personnel files generally included all the required documentation, such as evidence of employment eligibility, annual medical exams, reviews of criminal background investigations, and training in recognizing abuse and maltreatment of children.

The above deficiencies are discussed in greater detail in the following sections of the report.

NEBDCC Failed to Properly Allocate Expenses for the ACS Program

Operating without an ACS-Approved Salary Allocation Plan

NEBDCC is operating without an ACS-approved salary allocation plan, and there is no supporting documentation justifying the salary allocations for those employees who work for the Center and who also work for other NEBDCC-sponsored programs. According to NEBDCC's contract with ACS, "the Contractor [NEBDCC] agrees to maintain separate and accurate books, records, documents, and other evidence of accounting procedures and practices that sufficiently and properly reflect all direct and indirect costs of any nature expended in the performance of this Agreement." Furthermore, ACS's Financial Services Guide states that the Contractor "must keep original documentation on file to substantiate requests for reimbursement Appropriate payroll documentation includes properly authorized timesheets showing percentage of effort for each of the positions listed in the personnel services of your [NEBDCC's] approved budget [and a] time allocation system that allows reporting of hours actually worked by staff on [the] ACS contract."

NEBDCC's allocation methodology involved simply supplementing the ACS funding with funding from other sources. For instance, regarding the salaries of part-time teacher aides

who are also funded through the UPK program, NEBDCC officials explained “after the ACS contractual hours are met (40 hours), the remaining time is charged to UPK” and regarding UPK teachers’ salaries, they stated, “the UPK budget included \$5000 for each UPK teacher; this was paid in addition to their ACS salary.” These methodologies do not take into account the actual time spent working for a program. Consequently, there are no assurances that each employee’s salary was properly allocated to the programs that benefitted. For instance, a part-time teacher aide may work 42 hours during a pay period, out of which 10 hours are dedicated to the UPK program. Under NEBDCC’s methodology, however, only two hours would be charged to UPK. We found that even this methodology was inconsistently applied. For example, the salaries for two part-time employees who worked for both the ACS- and UPK-sponsored programs were not consistently allocated between the two programs. For seven of the 18 periods reviewed, the \$5,743 in salaries paid to these two employees was charged solely to the ACS-sponsored program. Based on our review of the records, \$2,604 (45 percent) pertained to hours in excess of the ACS-contracted hours and therefore should have been charged to the UPK program instead.

There are 14 employees covered under the ACS contract who also work on other NEBDCC-sponsored programs that are not ACS-funded. None of the time cards for these 14 employees reflected the number of hours worked for each program nor was a separate record maintained of the times and total hours worked for each program. Furthermore, the payroll registers did not consistently indicate the number of hours the employees worked for each program; the payroll registers at times only indicated the employees’ salary that was allocated to each program. Specifically, the payroll registers for 12 of these 14 employees (representing a total of 82 of the 126 pay periods reviewed) did not always reflect the hours worked for each program. As a result of this inadequate documentation, we were unable to determine whether the employees worked for the Center the number of hours required as per the ACS contract and for which they were paid.

The lack of a cost allocation plan is a recurring issue with NEBDCC. The prior audit mentioned this condition and referred to an ACS report citing that, as a result of having an inadequate cost allocation plan, ACS disallowed a portion of the employees’ salary for the contract period covering 1998 through 2001. When we asked ACS officials for the current cost allocation plan, they provided us with a letter dated January 15, 2009, submitted by NEBDCC with an “Allocation of Employees Salaries by Program” report, and a letter dated March 6, 2009, from ACS to NEBDCC explaining that the submitted plan was not approved. ACS informed NEBDCC that the submitted plan did not comply with the required criteria. As was previously done, because NEBDCC did not submit an acceptable cost allocation plan to ACS covering Fiscal Year 2009, ACS reduced NEBDCC’s Fiscal Year 2009 budget by \$37,160 using specific methodology that recognized the financial contribution of UPK-funded services. NEBDCC received funding through a separate contract with DOE to provide UPK services to children at the same site and for the same time period that they were under contract with ACS for pre-school child care services. As a result, ACS informed NEBDCC that a cost allocation plan was required.

When we asked ACS officials what actions were taken to obtain a revised cost allocation plan subsequent to the March 6, 2009, letter notifying NEBDCC of its Fiscal Year 2009 budget reduction, we were told on March 1, 2010, that no additional follow-up was taken. There is still

no approved allocation plan. Therefore, ACS should review the salaries of the employees covered by the ACS contract and disallow any portions of their salaries that it feels are not attributable to the contracted day care services provided at the Center.

Incorrect and Inconsistent Allocation of OTPS Expenditures

NEBDCC expenditures were incorrectly and inconsistently charged to ACS. Of the \$10,324 in reimbursable OTPS expenditures related to the Center that NEBDCC claimed on the CAPS reports for July 2008 and February and March 2009⁶, we identified several issues relating to \$9,247 in expenditures charged to ACS. Specifically, we identified \$3,304 (36 percent) that should not have been charged to ACS.

The Fiscal Consultant provided us with NEBDCC's *Direct Allocations* report (Cost Allocation Plan), which identifies the allocation percentage for each vendor that is used by NEBDCC to charge OTPS expenditures among the various sponsored programs. Although this plan was used by NEBDCC during Fiscal Year 2009, we identified issues with NEBDCC's actual cost allocation. Our review of the sampled expenditures revealed that NEBDCC did not always use the allocation percentages indicated on the Cost Allocation Plan and was also inconsistent with the cost allocation methods used.

NEBDCC officials informed us that the vendor allocation percentages indicated on the Cost Allocation Plan were not always used and claimed that a "manual allocation" method was sometimes used instead. However, there was poor documentation regarding the allocation methodologies used. The methodology was not always indicated in their payment records and when questioned, NEBDCC officials did not provide us with the specific manual allocation methods that were used. As a result, we were not able to determine whether all sampled expenditures were correctly allocated to ACS. For instances where the allocation percentages listed in the Cost Allocation Plan were not used and no other methodology was provided, we used the percentages identified on the Cost Allocation Plan, when applicable, to determine the portion that should have been charged to ACS.

Of the \$10,324 NEBDCC claimed on the CAPS reports for the reimbursable OTPS expenditures related to the Center for the three sampled months, only \$7,020 (68 percent) should have been charged to ACS. NEBDCC improperly allocated expenditures totaling \$3,304 to ACS, consisting of overcharges totaling \$2,290 for allowable expenditures and an additional \$1,014 that should not have been charged at all to ACS because no benefit was received. The allocation discrepancies included one or more of the following scenarios:

- Items shipped to a location other than the Center but a portion was allocated to ACS (i.e., purchases from Staples, Gold Supply, and Kaplan Early Learning Company);
- Services provided at a location other than the Center, but a portion was allocated to ACS (i.e., plumbing repairs, extermination, and security);
- Incorrect Allocation Percentage Used as per the Cost Allocation Plan; and

⁶ The OTPS expenditures submitted by NEBDCC for the Center reflected on the CAPS reports for the three sampled months consists of \$693 for July 2008, \$6,492 for February 2009, and \$3,139 for March 2009.

- Inconsistent Allocation Percentage Used (a “manual allocation” was used with no justification indicated; an allocation percentage other than what was listed on the Cost Allocation Plan was used)

For example, a purchase from Kaplan Early Learning Company totaling \$2,872 that included 10 rugs (valued at \$2,400) and three tables with chairs (valued at \$420), was shipped to another NEBDCC location, yet NEBDCC allocated \$804 to ACS using the allocation percentage included on its Cost Allocation Plan for this vendor. When we questioned NEBDCC officials regarding this allocation, they informed us that, “This was a genuine error. The allocation rate for Kaplan [Early Learning Company] was used instead of [a] manual allocation.” However, NEBDCC never explained what items, if any, were actually used at the Center and did not explain the actual allocation methodology that was used.

As a result, we have no assurance that any of these items purchased were, in fact, used by the Center and that the children serviced under the ACS contract received any benefit from them. It was therefore decided to disallow any portion of this expenditure that was allocated to ACS. NEBDCC used the wrong allocation methodology. If any of the purchased items were, in fact, used at the Center, a manual allocation method as NEBDCC mentioned should have been used rather than allocating the entire cost of the purchase. In addition, the allocation methodology used by NEBDCC should be reflected on the payment records with proper approval.

Failure to Allocate Expenditures

NEBDCC failed to allocate welfare fund and rent expenditures. These expenditures for which ACS was not the sole beneficiary were not allocated among the various NEBDCC-sponsored programs that received the benefit. Our review of the three sampled months’ expenditures revealed two recurring monthly expenditures—welfare fund and rent—that were charged solely to ACS and not allocated to all programs that benefitted. The total of these expenditures amounted to \$7,063 and \$7,283, respectively, for the three sampled months reviewed. In addition, for the remaining nine months in Fiscal Year 2009, NEBDCC paid and charged to ACS an additional \$20,689 in welfare fund payments and another \$21,848 for rent, bringing the total for the fiscal year to \$27,752 in welfare fund payments and \$29,131 in rent payments.

The welfare fund payments are for health care premiums for Center employees covered by the ACS contract. However, some of these employees, including the Executive Director, Education Director, Teachers, Assistant Teachers, Teacher Aides, and Bookkeeper, work for programs other than the ACS-sponsored program. In these instances when employees work for multiple programs, the expense should be allocated among the programs that the employees are providing a service for. For example, a Teacher Aide’s salary was allocated to multiple programs throughout the fiscal year (according to the payroll register report), and therefore, his portion of the welfare fund contributions should have been allocated to all the programs he worked for. His salary was allocated to ACS and UPK for 23 pay periods, to ACS and the Day School for two pay periods, and to ACS, UPK, and the Day School for one pay period. When we brought this to the attention of ACS officials, we were informed that “they [NEBDCC] are required to cost allocate the welfare fund.”

As should have been done with the welfare fund payments, the rent payments should have also been allocated among the various programs operating at this location and ultimately receiving a benefit. In addition to the Center providing day care services at this location under the ACS contract, there are other programs operating at this facility, including the UPK and Head Start programs. Furthermore, NEBDCC's main office is also housed at this facility, including the administrative staff who work for multiple programs. Rather than charging the entire rent cost to ACS, NEBDCC should be allocating this expense to all programs using the space.

Recommendations

NEBDCC officials should:

1. Develop a cost allocation plan, with the assistance of ACS, that accurately reflects the number of hours spent working on the various programs sponsored at the Center.

NEBDCC Response: "The accounting department of NEBDCC with ACS representatives will review our current cost allocation plan in an effort to ensure that it is in alignment with the ACS contractual agreement. Final approval of all changes will be approved by the NEBDCC Board of Directors and ACS."

ACS Response: "ACS will work with NEBDCC to develop a Cost Allocation Plan. The plan will be incorporated into their accounting system, includes all NEBDCC funding streams and allows for growth."

2. Ensure that it appropriately allocates all expenses to all programs receiving the benefit, including the Welfare Fund and Rent payments.

NEBDCC Response: "NEBDCC will work with ACS to develop a plan that will appropriately allocate all expenses for all programs in the day care center."

"The allocation plan referenced in Recommendation #1 will address the issues of appropriately allocating all expenses to all programs that are receiving the benefit, including the Welfare Fund and Rent payments."

3. Ensure that services provided to and items shipped to other NEBDCC locations are not charged to the Center or submitted to ACS for reimbursement.

NEBDCC Response: "As of July 2010, internal controls were adjusted to diligently scrutinize all invoices, packing slips, etc. to ensure that accounts are charged accurately and that ACS funds are not included in the cost allocation for day school programs. These changes were implemented by the accounting department with Board oversight."

4. Ensure that the appropriate allocation percentage is used as is reflected on the Cost Allocation Plan when charging the expenditures to the applicable programs. When a manual allocation method is used rather than using the percentages listed on the Cost

Allocation Plan, the allocation methodology used and justification should be indicated on the payment records.

NEBDCC Response: “When manual allocations are necessary, justifications are provided on payment records by the accounting department.”

Auditor Comment: From its response, it is unclear when NEBDCC instituted this procedure. For the period reviewed during this audit, the allocation methodology and justifications were generally not included on the payment records that we reviewed and NEBDCC officials did not provide us with the specific manual allocation methods used.

ACS officials should:

5. Ensure that NEBDCC submits a salary-allocation plan for each of the employees who work on more than one program.

ACS Response: “ACS will work with the organization to develop a Cost Allocation Plan that incorporates all their funding streams and allows for growth.”

6. Review the salaries of the employees covered by the ACS contract and recoup monies paid for any portions of their salaries that are not attributable to the ACS-contracted services.

ACS Response: “ACS will send an audit team to NEBDCC to do a financial review of agency documents and to determine the appropriateness of costs charged to the ACS contract.”

7. Recoup the \$3,304 in OTPS expenditures that were improperly charged by and paid to NEBDCC.

ACS Response: “ACS will send an audit team to NEBDCC to do a financial review of agency documents and to determine the appropriateness of costs charged to the ACS contract.”

8. Review all payments made to NEBDCC for the Welfare Fund and Rent and recoup amounts that should have been allocated to other programs.

ACS Response: “ACS will send an audit team to NEBDCC to do a financial review of agency documents and to determine the appropriateness of costs charged to the ACS contract.”

Employees Paid for Hours Not Reflected on Time Cards

During the course of the audit, we found that employees were paid for hours that were not reflected on their time cards. According to NEBDCC’s *Accounting & Financial Policies and*

Procedures Manual, “Each time card shall reflect all hours worked during the pay period (time actually spent on the job performing assigned duties).” The manual also states that the Fiscal Department shall correct all errors and check all time cards for mathematical accuracy. However, our review of the Center’s time and leave records and corresponding payroll registers for the pay periods ending July 4, 2008, through January 2, 2009, found inaccuracies. We found that 12 of the 13 sampled employees were paid for hours not reflected on their time cards. In total, these 12 employees were paid approximately \$2,300 for 154 hours that were not reflected on their time cards; during the period of our review, the number of hours not reflected for each employee ranged from 1.5 hours to 69 hours.

We also identified issues with the accuracy of the Center’s time and leave log⁷. Specifically, we identified discrepancies between the log and the employees’ time cards covering July 2008 through December 2008 for 11 of the 13 sampled employees.. There were a total of 24 instances among six employees who used either vacation or sick leave according to their time cards, but the wrong leave category was recorded on the time and leave log. There were also 28 instances among five employees whose time cards did not indicate the type of leave to be deducted. In addition, there were another three employees whose time cards indicated they were not at work, but they were marked as present on the Center’s time and leave log—two instances for one employee and one instance each for two employees. Since no leave was deducted, the leave balances for these three employees would be overstated and could result in employees being paid for leave not earned; these three employees were paid a total of \$598 for the days they were marked as present. Without accurate timekeeping records, there is an increased risk that employees may use leave that they do not have and consequently be paid for that time off. In addition, it is possible that employees could be paid for hours not worked without having those hours deducted from their leave balances. These would result in unwarranted expenses to NEBDCC and the City.

The Executive Director is responsible for reviewing and approving time cards and the payroll worksheet used to record the total hours each employee worked during each pay period. By not identifying, investigating, and correcting discrepancies, the Executive Director allowed the Center to possibly pay employees for services not rendered.

According to the ACS Fiscal Year 2009 Fiscal Administrative Management Report, ACS gave the Center an adequate rating for its time and attendance control. The above-mentioned findings should have precluded the issuance of an “adequate” rating for the Center’s time and attendance control. By doing so, ACS allowed the Center to continue its practice of maintaining inaccurate timekeeping records, thereby possibly paying its staff for services not rendered.

⁷ The time and leave log is used by NEBDCC to track employees’ leave accruals and usages and indicates each employee’s beginning and ending leave balances.

Recommendations

NEBDCC officials should:

9. Ensure that accurate and complete time records are maintained to reflect the hours worked by its employees, that the employees document the hours worked on each program to properly allocate the salaries to the individual programs, and that employees are paid only for hours worked.

NEBDCC Response: “Timecards may not accurately reflect hours worked by staff because on isolated occasions they have neglected to clock in/out before or after breaks. As of February 2011, an executive memo was issued to staff underscoring the importance of punctuality as well as clocking in and out for breaks. Staff was further notified that failure to conform will result in salary adjustments reflecting the number of hours recorded on time cards.

“Additionally, ADP services will be enhanced to include recording of sick and vacation time taken in addition to hours worked.”

10. Ensure that the payroll register reflects the number of hours that the employees work on each program.

NEBDCC Response: “The salary allocation plan to be created in consultation with ACS will address this finding.”

ACS officials should:

11. Recoup the \$2,300 that was improperly paid to 12 sampled employees for hours not reflected on their time cards.

ACS Response: “ACS will send an audit team to NEBDCC to do a financial review of agency documents and to determine the appropriateness of costs charged to the ACS contract.”

Other Weaknesses

Commingling of Funds

NEBDCC commingled ACS funds with funds received from other sources for other sponsored programs, which is a violation of the contract between NEBDCC and ACS. Funding for all programs sponsored by NEBDCC, including funds for the ACS day care program, are electronically deposited into NEBDCC’s EFT account. Although NEBDCC has an ACS-designated bank account (ACS account), this account is used mainly for the deposit of parent fees. The ACS funds deposited in the EFT account are never transferred into the ACS account as

required; expenses for the day care program are paid out of the same account as the expenses related to all of NEBDCC's other programs.

When we brought the issue of commingling of funds to ACS officials, they informed us that they were unaware of this practice and that they checked with the ACS Audit Department and were told that the Fiscal Year 2009 Audited Financial Statements did not show any commingling. Upon providing further information to ACS officials describing NEBDCC's practice to combine the funds received, they told us that they do not permit their contractors to commingle funds and have not provided any letter of authorization to do so. They informed us that they spoke with NEBDCC and "they now know that this is not good accounting practice and not acceptable."

Late Fees and Charges Incurred

NEBDCC incurred and paid late fees and charges that were reimbursed by ACS. The paying of late fees and charges appears to be a common practice of NEBDCC. In total, NEBDCC included \$282 in late fees and charges as part of its expenditures listed on the three sampled CAPS reports, consisting of \$236 for the Welfare Fund, \$25 for Staples, \$11 for Purchase Power/Pitney Bowes, and \$10 for Automatic Data Processing, Inc. (ADP). We also identified an additional \$1,484 in late fees that NEBDCC incurred on the Welfare Fund payments during the remainder of the fiscal year.

When we questioned NEBDCC officials regarding the payment of late fees and why ACS was charged for these fees, we were told that "invoices are paid when received. The bill[s] must have arrived late causing delayed payments. All programs are allocated for the cost of late fees." Furthermore, regarding the payment of late fees for the Welfare Fund invoices, NEBDCC officials stated that the "invoices/bills are paid upon receipt . . . we have instituted a system whereby the bookkeeper shall call and request a fax copy of invoices once it is not received by the second working day of the month" and mentioned that "ACS was charged for [the] late fees because this expense is exclusively for ACS."

As previously mentioned, the paying of late fees is a common practice of NEBDCC, especially with recurring monthly expenditures such as the Welfare Fund and ADP invoices. Although late fees were not incurred on all Welfare Fund invoices, when late fees were charged, NEBDCC paid them. In addition, for three of the five sampled ADP invoices, NEBDCC was charged a late processing fee of \$25 each, totaling \$75, for the late submission of payroll data. It is important that NEBDCC pay its bills in a timely manner and submit its payroll data within established deadlines to avoid penalties associated with any late fees and charges.

Recommendations

NEBDCC officials should:

12. Ensure that ACS funds are not commingled with any other source, as required under the ACS contract, and that the funds received from ACS for the Center are transferred in their entirety upon receipt into the ACS bank account.

NEBDCC Response: “NEBDCC has always maintained a separate bank account for the ACS program. However, as of January 2010 all ACS funds received in the NEBDCC electronic account are immediately transferred to the ACS account. This change was mandated by the Board of Directors.”

13. Ensure that bills are paid by the due dates and that the payroll data is submitted by the deadline to avoid paying late fees and charges.

NEBDCC Response: “It is the practice of this agency to pay our bills upon receipt of invoices. Unfortunately, there are a few vendors who consistently send their invoices late but refuse to abate penalties. The Board has directed the agency to purchase a date stamp machine to verify when invoices are received. If any late charges are assessed the agency will have proof and grounds upon which to contest such charges. ADP has changed its policy and has discontinued charging late fees.”

ACS officials should:

14. ACS officials should instruct NEBDCC officials that ACS funds should not be commingled with funds received from any other source as required, and it should monitor NEBDCC’s activities to ensure compliance.

ACS Response: “ACS will send an audit team to NEBDCC to do a financial review of agency documents. Appropriate instructions to the agency will be made subsequent to the review.”

15. Review the appropriateness of the late fees paid with City funds and recoup that portion deemed to be inappropriate.

ACS Response: “ACS will send an audit team to NEBDCC to do a financial review of agency documents and to determine the appropriateness of costs charged to the ACS contract.”

Inadequate Review of Center Expenditures by ACS

ACS provided little evidence that it reviews the Center’s expenditures to ensure that they are legitimate and for allowable purposes. Although the Center is required to submit a monthly CAPS report to ACS which identifies on a line-by-line basis the total expenditures by category incurred for the month, ACS does not have a unit that reviews and verifies contractors’ (i.e, the Center’s) actual expenditures. ACS personnel do not review any back-up documentation, such as invoices, receipts, and timekeeping records, to ensure that expenditures are adequately supported. ACS only reviews the CAPS reports to determine whether the expenditures claimed by NEBDCC are in line with the budgeted amounts. ACS will only disallow payments if the reported expenditures exceed the budgeted amounts.

According to ACS officials, they rely solely on the independent auditor (CPA firm) hired by the Center to validate the expenditures reported on the CAPS reports and to determine whether the expenditures reimbursed by ACS are related to the Center's operations. In addition, ACS officials informed us that the CPA firm is responsible for ensuring that all expenditures are documented and authorized by the Center and that ACS relies on the CPA firm to disallow payments for illegitimate expenditures.

However, upon review of the audited financial statements, it appears that the dollar amounts disallowed by the CPA firm only pertain to the dollar amounts exceeding the budgeted line items, not the legitimacy of the expenditures. (As previously mentioned, of the sampled expenditures totaling \$10,324, \$1,014 (9.8 percent) was not related to the ACS contract and should not have been reimbursed by ACS). As a result, ACS has no assurances that all City funds expended under this contract are being used to benefit the Center.

Recommendation

16. ACS officials should review the expenditures reported on the CAPS reports and the documentation supporting the expenditures to ensure that the funds provided are used to benefit the Center as described in the contract with NEBDCC.

ACS Response: "ACS will send an audit team to NEBDCC to do a financial review of agency documents and to determine the appropriateness of costs charged to the ACS contract."

Susan Nuccio
Deputy Commissioner/
Chief Financial Officer
Financial Services

150 William Street
10th Floor
New York, NY 10038

Email Address:
susan.nuccio@dfa.state.ny.us

April 22, 2011

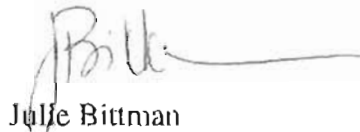
H. Tina Kim
Deputy Comptroller for Audit
NYC Office of the Comptroller
1 Centre Street – Room 1100N
New York, NY 10007

**RE: Audit Report on the Contract between the Administration for
Children's Services and the Northeast Bronx Day Care Center, Inc. for
Day Care Services at the Susan E. Wagner Day Care Center [MD10-
069A]**

Dear Ms. Kim:

Attached please find the ACS and Northeast Bronx Day Care Center, Inc. response to the Audit Recommendations and the Audit Implementation Plan for the above-referenced audit. Please call or e-mail me if you have any questions regarding the attached documents. I can be reached at 212-676-8861 or by e-mail at: julie.bittman@dfa.state.ny.us.

Thank you.



Julie Bittman
Director, External Audit

cc: John Mattingly

April 2011
ACS and NEBDCC/SEW RESPONSE TO AUDIT RECOMMENDATIONS

Audit by NYC Comptroller on the Contract between ACS and the N.E. Bx Day Care Center, Inc.
for Day Care Services at the Susan E. Wagner Day Care Center
MD10-069A

RECOMMENDATION # 1 – NEBDCC officials should – Develop a cost allocation plan, with the assistance of ACS, that accurately reflects the number of hours spent working on the various programs sponsored at the Center.

NEBDCC RESPONSE

The accounting department of NEBDCC with ACS representatives will review our current cost allocation plan in an effort to ensure that it is in alignment with the ACS contractual agreement. Final approval of all changes will be approved by the NEBDCC Board of Directors and ACS.

ACS RESPONSE

ACS will work with NEBDCC to develop a Cost Allocation Plan. The plan will be incorporated into their accounting system, includes all NEBDCC funding streams and allows for growth

RECOMMENDATION # 2 – NEBDCC officials should – Ensure that it appropriately allocates all expenses to all programs that are receiving the benefit, including the Welfare Fund and Rent payments.

NEBDCC RESPONSE

NEBDCC will work with ACS to develop a plan that will appropriately allocate all expenses for all programs in the day care center.

The allocation plan referenced in Recommendation #1 will address the issues of appropriately allocating all expenses to all programs that are receiving the benefit, including the Welfare Fund and Rent payments.

RECOMMENDATION # 3 – NEBDCC officials should – Ensure that services provided to and items shipped to other NEBDCC locations are not charged to the Center or submitted to ACS for reimbursement.

NEBDCC RESPONSE

As of July 2010, internal controls were adjusted to diligently scrutinize all invoices, packing slips, etc. to ensure that accounts are charged accurately and that ACS funds are not included in the cost allocation for day school programs. These changes were implemented by the accounting department with Board oversight.

RECOMMENDATION # 4 – NEBDCC officials should - Ensure that the appropriate allocation percentage is used as is reflected on the Cost Allocation Plan when charging the expenditures to the applicable programs. When a manual allocation method is used rather than using the percentages listed on the Cost Allocation Plan, the allocation methodology used and justification should be indicated on the payment records.

NEBDCC RESPONSE

When manual allocations are necessary, justifications are provided on payment records by the accounting department.

April 2011
ACS and NEBDCC/SEW RESPONSE TO AUDIT RECOMMENDATIONS – continued
MD10-069A

RECOMMENDATION # 5 – ACS officials should – Ensure that NEBDCC submits a salary allocation plan for each of the employees who work on more than one program.

ACS RESPONSE

ACS will work with the organization to develop a Cost Allocation Plan that incorporates all their funding streams and allows for growth.

RECOMMENDATION # 6 – ACS officials should - Review the salaries of the employees covered by the ACS contract and recoup monies paid for any portions of their salaries that are not attributable to the ACS-contracted services.

ACS RESPONSE

ACS will send an audit team to NEBDCC to do a financial review of agency documents and to determine the appropriateness of costs charged to the ACS contract.

RECOMMENDATION # 7 - ACS officials should – Recoup the \$3,379 in OTPS expenditures that were improperly charged by and paid to NEBDCC.

ACS RESPONSE

ACS will send an audit team to NEBDCC to do a financial review of agency documents and to determine the appropriateness of costs charged to the ACS contract.

RECOMMENDATION # 8 – ACS officials should – Review all payments made to NEBDCC for the Welfare Fund and Rent and recoup amounts that should have been allocated to other programs.

ACS RESPONSE

ACS will send an audit team to NEBDCC to do a financial review of agency documents and to determine the appropriateness of costs charged to the ACS contract.

RECOMMENDATION # 9 – NEBDCC officials should – Ensure that accurate and complete time records are maintained to reflect the hours worked by its employees, that the employees document the hours worked on each program to properly allocate the salaries to the individual programs, and that employees are paid only for hours worked.

NEBDCC RESPONSE

Timecards may not accurately reflect hours worked by staff because on isolated occasions they have neglected to clock in/out before or after breaks. As of February 2011, an executive memo was issued to staff underscoring the importance of punctuality as well as clocking in and out for breaks. Staff was further notified that failure to conform will result in salary adjustments reflecting number of hours recorded on time cards.

Additionally, ADP services will be enhanced to include recording of sick and vacation time taken in addition to hours worked.

April 2011
ACS and NEBDCC/SEW RESPONSE TO AUDIT RECOMMENDATIONS – continued
MD10-069A

RECOMMENDATION # 10 – NEBDCC officials should – Ensure that the payroll register reflects the number of hours that the employees work on each program.

NEBDCC RESPONSE

The salary allocation plan to be created in consultation with ACS will address this finding.

RECOMMENDATION # 11 – ACS officials should – Recoup the \$2,300 that was improperly paid to 12 sampled employees for hours not reflected on their time cards.

ACS RESPONSE

ACS will send an audit team to NEBDCC to do a financial review of agency documents and to determine the appropriateness of costs charged to the ACS contract.

RECOMMENDATION # 12 – NEBDCC officials should – Ensure that ACS funds are not commingled with any other source, as required under the ACS contract, and that funds received from ACS for the Center are transferred in their entirety upon receipt into the ACS bank account.

NEBDCC RESPONSE

NEBDCC has always maintained a separate bank account for the ACS program. However, as of January 2010 all ACS funds received in the NEBDCC electronic account are immediately transferred to the ACS account. This change was mandated by the Board of Directors.

RECOMMENDATION # 13 – NEBDCC officials should – Ensure that bills are paid by the due dates and that the payroll data is submitted by the deadline to avoid paying late fees and charges.

NEBDCC RESPONSE

It is the practice of this agency to pay our bills upon receipt of invoices. Unfortunately, there are a few vendors who consistently send their invoices late but refuse to abate penalties. The Board has directed the agency to purchase a date stamp machine to verify when invoices are received. If any late charges are assessed the agency will have proof and grounds upon which to contest such charges. ADP has changed its policy and has discontinued charging late fees.

RECOMMENDATION # 14 – ACS officials should – Instruct NEBDCC officials that ACS funds should not be commingled with funds received from any other source as required, and it should monitor NEBDCC's activities to ensure compliance.

ACS RESPONSE

ACS will send an audit team to NEBDCC to do a financial review of agency documents. Appropriate instructions to the agency will be made subsequent to the review.

April 2011
ACS and NEBDCC/SEW RESPONSE TO AUDIT RECOMMENDATIONS – continued
MD10-069A

RECOMMENDATION # 15 – ACS officials should – Review the appropriateness of the late fees paid with City funds and recoup that portion deemed to be inappropriate.

ACS RESPONSE

ACS will send an audit team to NEBDCC to do a financial review of agency documents and to determine the appropriateness of costs charged to the ACS contract.

RECOMMENDATION # 16 – ACS officials should – Review the expenditures reported on the CAPS reports and the documentation supporting the expenditures to ensure that the funds provided are used to benefit the Center as described in the contract with NEBDCC.

ACS RESPONSE

ACS will send an audit team to NEBDCC to do a financial review of agency documents and to determine the appropriateness of costs charged to the ACS contract.

April 2011
ACS and NEBDCC/SEW AUDIT IMPLEMENTATION PLAN

Audit by NYC Comptroller on the Contract between ACS and the N.E. Bx Day Care Center, Inc.
for Day Care Services at the Susan E. Wagner Day Care Center
MD10-069A

RECOMMENDATION # 1 - NEBDCC officials should – Develop a cost allocation plan, with the assistance of ACS, that accurately reflects the number of hours spent working on the various programs sponsored at the Center

RESPONSIBLE MANAGER'S NAME - NEBDCC Board of Directors & ACS Asst Commissioner

CORRECTIVE ACTIONS TO BE TAKEN	RESPONSIBLE PERSON	DATES		COMMENTS
		START	END	
<p><u>NEBDCC RESPONSE</u> The accounting department of NEBDCC with ACS representatives will review our current cost allocation plan in an effort to ensure that it is in alignment with the ACS contractual agreement. Final review of all changes will be approved by the NEBDCC Board of Directors and ACS.</p> <p>Each year the allocation plan will be reviewed for relevance and accuracy.</p>	<p>NEBDCC Board of Directors</p> <p>NEBDCC Board of Directors & Executive Director</p> <p>ACS Asst Commissioner</p>	<p>5-2011</p> <p>Annually</p> <p>5-2011</p>	<p>7-2011</p> <p>7-2011</p>	
<p><u>ACS RESPONSE</u> ACS will work with NEBDCC to develop a Cost Allocation Plan. The plan will –</p> <ol style="list-style-type: none"> 1. Be incorporated into their accounting system 2. Include all NEBDCC funding streams 3. Allow for growth 				

April 2011
ACS and NEBDCC/SEW AUDIT IMPLEMENTATION PLAN

Audit by NYC Comptroller on the Contract between ACS and the N.E. Bx Day Care Center, Inc.
for Day Care Services at the Susan Wagner Day Care Center
MD10-069A

RECOMMENDATION # 2 - NEBDCC officials should – Ensure that it appropriately allocates all expenses to all programs that are receiving the benefit, including the Welfare Fund and Rent payments.

RESPONSIBLE MANAGER'S NAME – NEBDCC Executive Director and Board of Directors

CORRECTIVE ACTIONS TO BE TAKEN	RESPONSIBLE PERSON	DATES		COMMENTS
		START	END	
<p>NEBDCC will work with ACS to develop a plan that will appropriately allocate all expenses for all programs in the day care center.</p> <p>The allocation plan referenced in Recommendation #1 will address the issues of appropriately allocating all expenses to all programs that are receiving the benefit, including the Welfare Fund and Rent payments.</p>	<p>Executive Director and Board of Directors</p>	<p>5-2011</p>	<p>7-2011</p>	

April 2011
ACS and NEBDCC/SEW AUDIT IMPLEMENTATION PLAN

Audit by NYC Comptroller on the Contract between ACS and the N.E. Bx Day Care Center, Inc.
for Day Care Services at the Susan Wagner Day Care Center
MD10-069A

RECOMMENDATION # 3: - NEBDCC officials should – Ensure that services provided to and items shipped to other NEBDCC locations are not charged to the Center or submitted to ACS for reimbursement.

RESPONSIBLE MANAGER'S NAME – Executive Director and Board Vice Chair/Treasurer

CORRECTIVE ACTIONS TO BE TAKEN	RESPONSIBLE PERSON	DATES		COMMENTS
		START	END	
Internal controls have been adjusted to diligently scrutinize all invoices, packing slips, etc. to ensure that accounts are charged accurately and that ACS funds are not included in the cost allocation for day school programs. These changes were implemented by the accounting department with Board oversight.	Executive Director and Board Vice Chair/Treasurer	7-2010	ongoing	

April 2011
ACS and NEBDCC/SEW AUDIT IMPLEMENTATION PLAN

Audit by NYC Comptroller on the Contract between ACS and the N.E. Bx Day Care Center, Inc. for Day Care Services at the Susan Wagner Day Care Center MD10-069A

RECOMMENDATION # 4 - NEBDCC officials should - Ensure that the appropriate allocation percentage is used as is reflected on the Cost Allocation Plan when charging the expenditures to the applicable programs. When a manual allocation method is used rather than using the percentages listed on the Cost Allocation Plan, the allocation methodology used and justification should be indicated on the payment records.

RESPONSIBLE MANAGER'S NAME - Executive Director and Board Vice Chair/Treasurer

CORRECTIVE ACTIONS TO BE TAKEN	RESPONSIBLE PERSON	DATES		COMMENTS
		START	END	
When manual allocations are necessary, justifications are provided on payment records by the accounting department.	Executive Director and Board Vice Chair/Treasurer	7-2010	ongoing	

April 2011
ACS and NEBDCC/SEW AUDIT IMPLEMENTATION PLAN

Audit by NYC Comptroller on the Contract between ACS and the N.E. Bx Day Care Center, Inc.
for Day Care Services at the Susan Wagner Day Care Center
MD10-069A

RECOMMENDATION # 5 – ACS officials should – Ensure that NEBDCC submits a salary allocation plan for each of the employees who work on more than one program.

RESPONSIBLE MANAGER'S NAME - ACS Asst Commissioner

CORRECTIVE ACTIONS TO BE TAKEN	RESPONSIBLE PERSON	DATES		COMMENTS
		START	END	
<p>ACS will work with NEBDCC to develop a Cost Allocation Plan. The plan will –</p> <ol style="list-style-type: none"> 1. Be incorporated into their accounting system 2. Include all NEBDCC funding streams 3. Allow for growth 	ACS Asst Commissioner	5-2011	7-2011	

April 2011

ACS and NEBDCC/SEW AUDIT IMPLEMENTATION PLAN

Audit by NYC Comptroller on the Contract between ACS and the N.E. Bx Day Care Center, Inc. for Day Care Services at the Susan Wagner Day Care Center MD10-069A

RECOMMENDATION # 6 - ACS officials should - Review the salaries of the employees covered by the ACS contract and recoup monies paid for any portions of their salaries that are not attributable to the ACS-contracted services.

RESPONSIBLE MANAGER'S NAME - ACS Asst Commissioner

CORRECTIVE ACTIONS TO BE TAKEN	RESPONSIBLE PERSON	DATES		COMMENTS
		START	END	
ACS will send an audit team to NEBDCC to do a financial review of agency documents and to determine the appropriateness of costs charged to the ACS contract.	ACS Asst Commissioner	7-2011	9-2011	

April 2011
ACS and NEBDCC/SEW AUDIT IMPLEMENTATION PLAN

Audit by NYC Comptroller on the Contract between ACS and the N.E. Bx Day Care Center, Inc.
for Day Care Services at the Susan Wagner Day Care Center
MD10-069A

RECOMMENDATION # 7 - ACS officials should – Recoup the \$3,379 in OTPS expenditures that were improperly charged by and paid to NEBDCC.

RESPONSIBLE MANAGER'S NAME - ACS Asst Commissioner

CORRECTIVE ACTIONS TO BE TAKEN	RESPONSIBLE PERSON	DATES		COMMENTS
		START	END	
ACS will send an audit team to NEBDCC to do a financial review of agency documents and to determine the appropriateness of costs charged to the ACS contract.	ACS Asst Commissioner	7-2011	9-2011	

April 2011
ACS and NEBDCC/SEW AUDIT IMPLEMENTATION PLAN

Audit by NYC Comptroller on the Contract between ACS and the N.E. Bx Day Care Center, Inc.
for Day Care Services at the Susan Wagner Day Care Center
MD10-069A

RECOMMENDATION # 8 - ACS officials should – Review all payments made to NEBDCC for the Welfare Fund and Rent and recoup amounts that should have been allocated to other programs.

RESPONSIBLE MANAGER'S NAME - ACS Asst Commissioner

CORRECTIVE ACTIONS TO BE TAKEN	RESPONSIBLE PERSON	DATES		COMMENTS
		START	END	
ACS will send an audit team to NEBDCC to do a financial review of agency documents and to determine the appropriateness of costs charged to the ACS contract.	ACS Asst Commissioner	7-2011	9-2011	

April 2011
ACS and NEBDCC/SEW AUDIT IMPLEMENTATION PLAN

Audit by NYC Comptroller on the Contract between ACS and the N.E. Bx Day Care Center, Inc.
for Day Care Services at the Susan Wagner Day Care Center
MD10-069A

RECOMMENDATION # 9 - NEBDCC officials should – Ensure that accurate and complete time records are maintained to reflect the hours worked by its employees, that the employees document the hours worked on each program to properly allocate the salaries to the individual programs, and that employees are paid only for hours worked.

RESPONSIBLE MANAGER'S NAME – Executive Director and Board Vice Chair/Treasurer

CORRECTIVE ACTIONS TO BE TAKEN	RESPONSIBLE PERSON	DATES		COMMENTS
		START	END	
<p>Timecards may not accurately reflect hours worked by staff because on isolated occasions they have neglected to clock in/out before or after breaks. As of February 2011, an executive memo was issued to staff underscoring the importance of punctuality as well as clocking in and out for breaks. Staff was further notified that failure to conform will result in salary adjustments reflecting number of hours recorded on time cards.</p> <p>Additionally, ADP services will be enhanced to include recording of sick and vacation time taken in addition to hours worked.</p>	<p>Executive Director and Board Vice Chair/Treasurer</p>	<p>2-2011</p>	<p>ongoing</p>	

April 2011
ACS and NEBDCC/SEW AUDIT IMPLEMENTATION PLAN

Audit by NYC Comptroller on the Contract between ACS and the N.E. Bx Day Care Center, Inc.
for Day Care Services at the Susan Wagner Day Care Center
MD10-069A

RECOMMENDATION # 10 - NEBDCC officials should – Ensure that the payroll register reflects the number of hours that the employees work on each program.

RESPONSIBLE MANAGER'S NAME – Executive Director and Board Vice Chair/Treasurer

CORRECTIVE ACTIONS TO BE TAKEN	RESPONSIBLE PERSON	DATES		COMMENTS
		START	END	
The salary allocation plan to be created in consultation with ACS will address this finding.	Executive Director, and Board Vice Chair/Treasurer	5-2011	7-2011	
In order to ensure the accuracy of the Payroll Register, employees will be required to document hours worked on each program. Executive Director will sign off on timesheets. ACS salary will be based on number of hours worked.	Executive Director	5-2011	ongoing	

April 2011
ACS and NEBDCC/SEW AUDIT IMPLEMENTATION PLAN
Audit by NYC Comptroller on the Contract between ACS and the N.E. Bx Day Care Center, Inc.
for Day Care Services at the Susan Wagner Day Care Center
MD10-069A

RECOMMENDATION # 11 - ACS officials should – Recoup the \$2,300 that was improperly paid to 12 sampled employees for hours not reflected on their time cards.

RESPONSIBLE MANAGER'S NAME - ACS Asst Commissioner

CORRECTIVE ACTIONS TO BE TAKEN	RESPONSIBLE PERSON	DATES		COMMENTS
		START	END	
ACS will send an audit team to NEBDCC to do a financial review of agency documents and to determine the appropriateness of costs charged to the ACS contract.	ACS Asst Commissioner	7-2011	9-2011	

April 2011
ACS and NEBDCC/SEW AUDIT IMPLEMENTATION PLAN

Audit by NYC Comptroller on the Contract between ACS and the N.E. Bx Day Care Center, Inc.
for Day Care Services at the Susan Wagner Day Care Center
MD10-069A

RECOMMENDATION # 12 - NEBDCC officials should – Ensure that ACS funds are not commingled with any other source, as required under the ACS contract, and that funds received from ACS for the Center are transferred in their entirety upon receipt into the ACS bank account.

RESPONSIBLE MANAGER'S NAME – Executive Director and Board Vice Chair/Treasurer

CORRECTIVE ACTIONS TO BE TAKEN	RESPONSIBLE PERSON	DATES		COMMENTS
		START	END	
NEBDCC has always maintained a separate bank account for the ACS program. However, as of January 2010 all ACS funds received in the NEBDCC electronic account are immediately transferred to the ACS account. This change was mandated by the Board of Directors.	Executive Director and Board Vice Chair/Treasurer	1-2010	ongoing	

April 2011
ACS and NEBDCC/SEW AUDIT IMPLEMENTATION PLAN

Audit by NYC Comptroller on the Contract between ACS and the N.E. Bx Day Care Center, Inc.
for Day Care Services at the Susan Wagner Day Care Center
MD10-069A

RECOMMENDATION # 13 - NEBDCC officials should -- Ensure that bills are paid by the due dates and that the payroll data is submitted by the deadline to avoid paying late fees and charges.

RESPONSIBLE MANAGER'S NAME - Executive Director and Board Vice Chair/Treasurer

CORRECTIVE ACTIONS TO BE TAKEN	RESPONSIBLE PERSON	DATES		COMMENTS
		START	END	
It is the practice of this agency to pay our bills upon receipt of invoices. Unfortunately, there are a few vendors who consistently send their invoices late but refuse to abate penalties. The Board has directed the agency to purchase a date stamp machine to verify when invoices are received. If any late charges are assessed the agency will have proof and grounds upon which to contest such charges. ADP has changed its policy and has discontinued charging late fees.	Executive Director and Board Vice Chair/Treasurer	4-2011	ongoing	

April 2011
ACS and NEBDCC/SEW AUDIT IMPLEMENTATION PLAN

Audit by NYC Comptroller on the Contract between ACS and the N.E. Bx Day Care Center, Inc.
 for Day Care Services at the Susan Wagner Day Care Center
 MD10-069A

RECOMMENDATION # 14 - ACS officials should – Instruct NEBDCC officials that ACS funds should not be commingled with funds received from any other source as required, and it should monitor NEBDCC’s activities to ensure compliance.

RESPONSIBLE MANAGER’S NAME - ACS Asst Commissioner

CORRECTIVE ACTIONS TO BE TAKEN	RESPONSIBLE PERSON	DATES		COMMENTS
		START	END	
ACS will send an audit team to NEBDCC to do a financial review of agency documents. Appropriate instructions to the agency will be made subsequent to the review.	ACS Asst Commissioner	7-2011	11-2011	

April 2011
ACS and NEBDCC/SEW AUDIT IMPLEMENTATION PLAN
Audit by NYC Comptroller on the Contract between ACS and the N.E. Bx Day Care Center, Inc.
for Day Care Services at the Susan Wagner Day Care Center
MD10-069A

RECOMMENDATION # 15 - ACS officials should – Review the appropriateness of the late fees paid with City funds and recoup that portion deemed to be inappropriate.

RESPONSIBLE MANAGER'S NAME - ACS Asst Commissioner

CORRECTIVE ACTIONS TO BE TAKEN	RESPONSIBLE PERSON	DATES		COMMENTS
		START	END	
ACS will send an audit team to NEBDCC to do a financial review of agency documents and to determine the appropriateness of costs charged to the ACS contract.	ACS Asst Commissioner	7-2011	9-2011	

April 2011
ACS and NEBDCC/SEW AUDIT IMPLEMENTATION PLAN

Audit by NYC Comptroller on the Contract between
ACS and the N.E. Bx Day Care Center, Inc. for Day Care Services at the Susan Wagner Day Care Center
MD10-069A

RECOMMENDATION # 16 - ACS officials should – Review the expenditures reported on the CAPS reports and the documentation supporting the expenditures to ensure that the funds provided are used to benefit the Center as described in the contract with NEBDCC.

RESPONSIBLE MANAGER'S NAME - ACS Asst Commissioner

CORRECTIVE ACTIONS TO BE TAKEN	RESPONSIBLE PERSON	DATES		COMMENTS
		START	END	
ACS will send an audit team to NEBDCC to do a financial review of agency documents and to determine the appropriateness of costs charged to the ACS contract.	ACS Asst Commissioner	5-2011	7-2011	