



**FISCAL YEARS 2014 TO 2015 SPECIFICATIONS TO
PROVIDE CERTIFIED PUBLIC ACCOUNTANT
SERVICES FOR AUDITS OF FOSTER CARE
PROVIDERS.**

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CERTIFIED PUBLIC ACCOUNTANT
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I. GENERAL DESCRIPTION OF WORK

[] is in need of the services of a Certified Public Accountant (CPA) firm, to perform audits of the financially-related activities of Foster Care Services provided to the New York City Administration For Children’s Services (ACS). The audits will cover the following two fiscal years:

- July 1, 2013 to June 30, 2015

II. PERIOD OF PERFORMANCE

The effective period of performance (completion and delivery of final reports) for this Agreement is six months (6) from the audit contract date.

III. BACKGROUND INFORMATION

ACS administers a broad range of services to children and families when family circumstances threaten the well being of children. A critical component of these services is Foster Care.

Foster Care

1. Background Information
 - a. Foster Care is provided to ensure child’s safety and welfare. Placement may result from an indicated abuse/neglect charge, parental incapacity, or a Family Court finding that the child is in need of supervision. Foster Care services in New York City are provided through contracts with authorized private agencies or health care facilities.
 - b. Foster Care Contract Agencies receive funds to operate their programs from both private and public funding sources. The New York State Office of Children and Family Services (OCFS) sets a per diem rate by program, which is expense driven. The per diem rate is intended to cover the cost for the care and maintenance of a child and appropriate administrative expenses. The OCFS Standards of Payment for Foster Care of Children Program Manual (also known as SSOP Program Manual) provides guidance for the allowable expenditures; and is augmented and updated by Administration for Children’s Services Fiscal Manual, on the web at:

http://www.nyc.gov/html/acs/html/staff/resources_fiscal.shtml. The SSOP manual applicable to this audit period was issued in 2006 and can be obtained online at: <http://www.ocfs.state.ny.us/main/rates/>

2. The classification, designation and description of foster care programs and facilities are based on characteristics of children in care. See SSOP manual for method used in program classifications. The list below provides brief description of program types:
 - a. Foster Boarding Home: a residence owned, leased or otherwise under the control of a single person or family who has been certified by an authorized Contract Agency to care for not more than six (6) children. Such person or family receives payment from the Contract Agency for the care of such children.
 - b. Contract Agency Operated Boarding Home: a family-type home operated by an authorized Contract Agency, in quarters or premises owned, leased, or otherwise under the control of such Contract Agency, for the care and maintenance of not more than six (6) children, except that such a home may provide care for more than six (6) brothers and sisters of the same family.
 - c. Group Home: a family-type home operated by an authorized Contract Agency, in quarters or premises owned, leased or otherwise under the control of such Contract Agency, for the care and maintenance of not less than seven (7) nor more than twelve (12) children who are at least five (5) years of age, except that such minimum age shall not be applicable to siblings placed in the same facility, nor to children whose mother is placed in the same facility.
 - d. Institution: a facility established for the twenty four (24) hour care and maintenance of thirteen (13) or more children, operated by a child care Contract Agency. The children in these programs are physically and/or emotionally handicapped.
 - e. Group Residence: a facility for the care and maintenance of not more than twenty five (25) children, operated by an authorized Contract Agency.

IV. SCOPE OF WORK

- July 1, 2013 to June 30, 2015

Accrual Basis for Accounting is required for use in accounting for foster care program fiscal transactions.

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A. Objectives of the Audit

The auditor should plan and perform audit procedures sufficient to achieve the following objectives:

1. Determine whether foster care program fiscal operations complied with applicable NYS/OCFS and NYC/ACS rules and other applicable regulations in recognizing and recording program transactions.
2. Determine whether the contract agency has established and implemented internal control procedures over foster care program operations sufficient to ensure that transactions involving program expenditures, care days, revenues/reimbursements are carried out effectively and properly recorded according to guidelines provided in SSOP manual and ACS Fiscal Manual.
3. Establish final foster care per diem rate for each foster care program audited based upon reconciliation and verification of the expenditures and care days as submitted by the contract agencies to New York State OCFS and the NYC ACS.
4. Compute amounts due to/ (from) ACS.
5. Render opinion on the Statement of Revenues and Statement of Expenditures, and accompanying financial schedules for the fiscal years ending June 30, 2014 and June 30, 2015.

B. Scope of Audit

- July 1, 2013 to June 30, 2015

1. Compliance Requirements. The auditor should perform the audit according to Government Auditing Standards (GAS), issued by the U.S. Comptroller General (2007 Revision), Generally Accepted Auditing Standards (GAAS), established by the American Institute of Certified Public Accountants, the OCFS SSOP and ACS Fiscal Manual.
2. Financial Audit. Perform financial audit procedures on foster care transactions, records, and documents to obtain reasonable assurance whether contract agency presentation of financial information is reliable, and complied with legal and contractual requirements and limitations affecting the expenditure of funds.

The examination shall include, but is not be limited to the following procedure: use of appropriate sampling method and auditor judgment to sufficiently determine whether all categories and types of expenditure reported in SSOP to NYS OCFS and ACS were proper and supported by documents.

C. **Required Audit Procedures and Specific Testing for Foster Care Program**

State Standard of Payment (SSOP) for Foster Care of Children Program Manual issued in 2006 provide definitions and guidelines for reporting of foster care program activities. The definitions and guidelines also significantly determine the required fiscal reporting.

The audit requirements outlined in this specification require the auditor to perform audit tests of organization's internal controls to determine with reasonable assurance whether contracted agency internal controls over foster care program fiscal operations properly identify program income and expenditures to ensure that the system is capable to generate reliable financial information.

To this end, auditor should perform procedures to:

- Gain understanding of specific requirements applicable to specific foster care program (s), e.g., Foster Boarding Home (FBH), and Group Home (GH) under audit and make note of the different categories used to designate a child in foster care for payment allowance.
- Plan and perform procedures by using risk based approach, sufficient to establish that the amounts reported to NYS/OCFS and ACS in the SSOP agree with the amounts recorded in contract agency financial books and records/accounting ledgers.
- Establish that contract agency has implemented and maintains controls and accountability to ensure reliability of foster care program fiscal information.

Specific audit procedures which auditor should perform include but are not limited to:

1. Test and evaluate internal controls over accounting and recording of financial transactions to ensure that the transactions are authorized and executed in accordance with applicable laws, regulations, agreements, and other requirements; properly recognized, and accounted for and recorded to provide reliable financial information and related reports; and control system adequately safeguards foster care program assets.
2. Review the contract agency's reconciliation of the general ledger and trial balance to the SSOP, Form DSS 2652 and ascertain whether the reported expenditures as stated in the SSOP agree with the expenditures recorded in contract agency general ledger and trial balance.
3. Test of Payroll Expenditures to establish that all related payroll liabilities and fringe benefits were properly accounted for, recorded and paid to appropriate authorities or accrued for the period.

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4. Test Other Than Personnel Services (OTPS) expenditure reported on SSOP by tracing selected samples to general ledger entries and support documents.
5. Perform procedures to determine that expenditures charged to the foster care program are allowable per all applicable laws, rules, regulations, and bulletins.
6. Determine whether internal controls over allocated expenses provide reasonable assurance that direct and indirect expenditures charged to foster care program complied with requirements provided in SSOP manual. When testing allocated transactions, the auditor should review contract agency allocation method for identifying and allocating indirect expenditures, as well as the specific basis used to allocate the type of expense, and use judgment to determine reasonableness of method.

For Foster Boarding Home (FBH) Programs

7. Contract agency is reimbursed 100% of actual pass-through expenditures. Auditor to perform procedures to obtain reasonable assurance that Pass-Through Payment reported on SSOP and trial balance or ledger was accurate and in accordance with SSOP guidelines and reasonably reliable. Payment allowances for children in FBH care may differ. It is important that auditor perform procedures sufficient to obtain understanding of the various categories of board and care and establish that contract agency internal control properly accounts for these variances to ensure accuracy of reimbursements for program expenditures based on type of care provided to child.
8. Miscellaneous Payments The Auditor should perform tests of amounts reported on lines 44A (Clothing Payment Initial) and line 45 (Special Payments - Boarding Home) are accurate. Test the validity of the expenditures on line 44A and line 45 by comparing them to the foster parent's files, and their reports of expenditures; determine whether a portion, or all, of these expenses were reimbursed separately.
9. Days of Care The Auditor shall perform audit procedures to establish the accuracy of the days of care reported on SSOP. Contract agency should provide schedules/reports which reconcile care day reports from Statewide Services Payment System-SSPS, and amounts recorded on contract agency records. For the most part, contracted agency is reimbursed based on care days accepted in SSPS. The auditor should obtain contract agency schedule of care days and perform tests sufficient to establish that care days reported on SSOP reasonably agree with SSPS care days, which is used to determine program reimbursement. See SSOP manual for definition and guidelines of determining care days.

D. Report of Income (Accrued Accounting Basis)

Accrued accounting is the required basis of accounting for foster care fiscal operations. The auditor should establish that contract agency used the accrual method to account for

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program fiscal transactions. Also, auditor must verify that contract agency control used matching principle to recognize and record reimbursements (income).

The Auditor should perform audit procedures to determine whether contracted agency internal controls properly identify program income using matching principle through reconciliation of SSPS information to reimbursement. Auditor should request Payment Confirmation from Financial Services\Child Welfare Contract Audit-CWCA as part of foster care program income verification.

In all cases, auditor must perform sufficient audit procedures to obtain reasonable assurance that the components/ transactions which make up amounts reported on SSOP were executed according to definitions and guidelines provided in applicable SSOP Manual and/or as updated by the various NYS OCFS Administrative Directives, and ACS Fiscal Manual, and the amounts were supported by reliable source documents, such as: cancelled checks, invoices, payroll record, and other applicable documents.

V. REPORTS AND EXIT CONFERENCES

A. Audit Reports

1. The Audit Reports shall be in the following format (See Exhibit I):
 - a. Statement of Revenues and Expenditures
 - b. Statement of Expenditures
 - c. Statement of Miscellaneous Expenses claimed for the year
 - d. Statement of Comparison of Care days reported / submitted in the SSOP and SSPS
 - e. Congregate Care Schedule of Basis for Per Diem Rates (as audited)
 - f. Foster Boarding Home Schedule of Basis for Per Diem Rates (as audited)

2. The Audit Reports shall at a minimum contain:
 - a. The Auditor's report on the Financial Statements and other accompanying Schedules.
 - b. The Auditor Report on the Internal Control Structure which shall include, at a minimum, the following:
 - i. scope of the Auditor's work in obtaining an understanding of the internal control structure and in assessing the control risk;
 - ii. significant internal controls established to ensure compliance with laws and regulations that have a material impact on the financial statements; and

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- iii. reportable conditions, including the identification of material weaknesses found as a result of the Auditor's work in understanding and assessing the control risk.
3. The Auditor's report on Compliance shall state that the Auditor has performed tests of the contract agency's compliance with certain provisions of laws, regulations and the contract. All material instances of non-compliance shall be included.
4. All reports shall be complete and accurate. Children Services shall review such reports to determine compliance with auditing standards and specifications.

B. Exit Conferences

1. Exit Conferences shall be held with representatives of [] and Children Service's Contract Audit Services and must be coordinated with Children Service's Assistant Director of Contract Audit Services.
2. A minimum of five (5) working days advance notice of scheduled conference dates must be given in writing to [].
3. The Auditor shall provide one (1) copy, and one (1) PDF of the Draft Audit Reports to [] and Children's Services Contract Audit Services no later than five (5) working days prior to the Exit Conference.

C. Due date of Final Audit Reports

- The Auditor shall deliver to the Administration for Children's Services Child Welfare Contract Audit Services, two (2) copies and one (1) PDF of the Final Audit Reports within six months of the start date of audit.

D. Delivery of Reports

1. All reports to be submitted to Children Services shall be delivered to:

Marcia Gilliard, Assistant Commissioner
Financial Services/Audit and Banking
Administration for Children's Services
150 William Street, 10th Floor, Room 10-Q3
New York, New York 10038
2. The Auditor shall deliver the Draft Audit Reports and the Final Audit Reports in the timeframes specified herein to the Executive Director and / or Fiscal Director of [].

VI. QUALITY ASSURANCE

A. Review and Acceptance of Work

All reports required by this Agreement to audit shall be subject to ACS/CWCA review. The Auditor agrees to include correction and revision/adjustments to draft audit report after review by ACS/CWCA staff within the terms of this Agreement without additional cost or expense. Acceptance of all reports subject to the terms previously stated shall be a prerequisite to final payment under this Agreement.

B. Quality Control Examination

1. All reports and working papers prepared in connection with this agreement to audit are subject to a Quality Control Examination by the Office of the Comptroller of the City of New York.
2. The Auditor will furnish the Comptroller with copies of all such work papers and related reports upon request. If the Auditor's work is determined unacceptable because it did not meet Administration for Children Service's Standards, the revised Government Auditing Standards and the AICPA Standards, [] shall not be liable for any payment under the contract until reports are revised and accepted by the New York City Administration for Children's Service and the New York City Office of the Comptroller.
3. Administration for Children's Services right to reject Audit Reports shall extend throughout the term of this Agreement and continue for one (1) year after the receipt of the Final Audit Report.

C. Internal Quality Control System

The Auditor must have an appropriate Internal Quality Control System in place and participate in an External Quality Control Review Program as required by Government Auditing Standards. The report shall be made available to the Public. The auditor's compliance with these standards is subject to verification by the NYC Administration for Children's Services and the NYC Comptroller's Office.

VII. PAYMENT AND INVOICING PROCEDURES

The Auditor will submit required invoices and required documentation to Contracted Agency for payment of this audit services. The Contract Agency will submit original

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invoice and copy of cancelled check and/or other proof that audit was paid to ACS Child Welfare Contract Audit Services for reimbursement.

VIII. MISCELLANEOUS TERMS AND CONDITIONS

A. No Damage for Delay

The Auditor agrees to make no claim for damages for delay in the performance of this contract occasioned by any act or omission to act of [] or any of its representatives, and agrees that any such claim shall be fully compensated for by an extension of time to complete performance of the work as provided herein.

B. Illegal Acts or Irregularities

If during the course of the examination, the Auditor uncovers indications of possible Fraud or Illegal Acts or Irregularities, the Auditor shall immediately comply with the requirements as provided in the General Accounting Office (GAO) Government Auditing Standards (2011 Revision - Yellow Book); and shall notify [] and the Assistant Director of Children Services Contract Audit Services in writing, accordingly.

C. Work Papers

The audit firm shall retain the work papers for this engagement for a period of six (6) years after the delivery of the Final Audit Report for each of the fiscal years as mentioned in the audit objectives and shall make the work papers available or submit them to Children Services and the New York City Comptroller's Office upon request.

END OF SPECIFICATIONS

EXHIBITS

EXHIBIT I SCHEDULES

- 1 of 6: Statement of Revenues and Expenditures
- 2 of 6: Statement of Detailed Expenditures
- 3 of 6: Congregate Care Schedule of Basis for Per Diem Rates-As Audited
- 4 of 6: Foster Boarding Home Schedule of Basis for Per Diem Rates-As Audited
- 5 of 6: Statement of Miscellaneous Expenses claimed for the year
- 6 of 6: Statement of Reconciling Care Days reported on SSOP to BICS/SSPS