



CHILD PROTECTIVE SERVICES

LIGHTHOUSE YOUTH SERVICES, INC.

REPORT ON AGREED-UPON PROCEDURES

JANUARY 1, 1998 THROUGH DECEMBER 31, 1998



**STATE OF OHIO
OFFICE OF THE AUDITOR**

JIM PETRO, AUDITOR OF STATE

**LIGHTHOUSE YOUTH SERVICES, INC.
REPORT ON AGREED-UPON PROCEDURES**

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**LIGHTHOUSE YOUTH SERVICES, INC.
REPORT ON AGREED-UPON PROCEDURES**

**BOARD OF TRUSTEES
AND ADMINISTRATIVE PERSONNEL
AS OF DECEMBER 31, 1998**

NAME	TITLE	TERM EXPIRATION
BOARD OF TRUSTEES		
Bob Rich	President **	Open-ended term
Stanford Williams	Vice President	September, 2000
Karen Abel	Member	September, 2001
Dick Adams	Member **	September, 1999
Pat Bready	Member	September, 2000
Steve Campbell	Member	Open-ended term
Teresa Cohen	Member *	September, 2001
Linda Coley	Member *	September, 2001
Joyce De Voge	Member	September, 2001
Don Duncan	Member *	September, 2000
Ken Feldmann	Member *	Open-ended term
Jerry Fink	Member	Open-ended term
Diane Jordan	Member	September, 2000
Gerry Kaminski	Member	September, 2000
Jeff Long	Member	September, 2000
Kevin McDonnell	Member	September, 2000
Joe Mendelsohn	Member	September, 2000
Rick Muhlhauser	Member **	September, 2001
Dan Pfau	Member *	September, 2000
Phil Shepardson	Member *	Open-ended term
David Smith	Member	September, 2001
Reba St. Clair	Member	September, 2001

**BOARD OF TRUSTEES
AND ADMINISTRATIVE PERSONNEL
AS OF DECEMBER 31, 1998**

NAME	TITLE	TERM EXPIRATION
BOARD OF TRUSTEES (Continued)		
Kenneth Toney	Member	September, 2001
Bob Zepf	Member	Open-ended term
Iva Brown	Secretary	September, 1999
Robert Boden	Treasurer *	September, 1999

ADMINISTRATIVE PERSONNEL

Robert C. Mecum	Executive Director	February 5, 1976 to Present
Jean Sepate	Associate Executive Director	February 10, 1995 to Present **
Marilon Winther	Controller	March 4, 1998 to Present
Adriene S. Phillips	Assistant Controller	August 3, 1998 to Present

Agency Address:

Lighthouse Youth Services, Inc.
1501 Madison Rd. 2nd floor
Cincinnati, Ohio 45206

Shared Board Members with Affiliated Organizations:

* New Life Properties Board Members

** Youth Opportunities United Board Members



STATE OF OHIO
OFFICE OF THE AUDITOR
JIM PETRO, AUDITOR OF STATE

88 East Broad Street
P.O. Box 1140
Columbus, Ohio 43216-1140
Telephone 614-466-4514
800-282-0370
Facsimile 614-466-4490

Independent Accountants' Report

Jacqueline Romer-Sensky, Director
Ohio Department of Job and Family Services
30 East Broad Street
Columbus, Ohio 43266-0423

Dear Director Sensky:

Pursuant to the memorandum of understanding signed July 6, 1999 between the Ohio Department of Job and Family Services¹ (ODJFS or Department), formerly known as the Ohio Department of Human Services (ODHS), and the Auditor of State (AOS), we have conducted a Child Protective Services/Special Title IV-E Review ("Review") and performed the procedures summarized below for Lighthouse Youth Services, Inc. (Lighthouse or Placement Agency) for the period January 1, 1998 through December 31, 1998 ("the Period"). These procedures were performed solely to determine if the Placement Agency complied with the provisions of certain Federal and State laws and regulations applicable to a private noncustodial agency (PNA) and certain terms and conditions of its contract with Magellan Public Solutions (Magellan). Magellan was the third party administrator for Hamilton County Department of Job and Family Services (HCDJFS) formerly known as the Hamilton County Department of Human Services (HCDHS). The applicable laws, regulations and the provisions of its contract are described in the attached *Supplement to Report on Agreed-upon Procedures under Legal Authority*.

This engagement to apply agreed-upon procedures was performed in accordance with standards established by the American Institute of Certified Public Accountants. The sufficiency of the procedures is solely the responsibility of the users of the report. The report on agreed-upon procedures is intended for the information of ODJFS, however, the report will be a matter of public record and its distribution will not be limited. Consequently, we make no representation regarding the sufficiency of the procedures discussed below for the purpose for which this report has been requested or for any other purpose. The procedures we performed are summarized as follows:

1. We performed procedures to determine whether the Placement Agency complied with the terms and conditions of its contractual agreements and provisions of applicable laws and regulations for expenditures during the Period.
2. We scanned all receipts and deposits from the applicable public children services agencies to Lighthouse for the Period to determine whether receipts were properly deposited and recorded in the accounting records of the Placement Agency.
3. We compared the Placement Agency's per diem paid to the foster parents with the corresponding per diem it received from HCDJFS/Magellan to determine the ratio of payments for administration and maintenance.

¹ The merger of the Ohio Department of Human Services and the Ohio Bureau of Employment Services to become the Ohio Department of Job and Family Services (ODJFS) took effect July 1, 2000.

4. We inquired, documented and obtained corroborating information on the Placement Agency's internal control policies and procedures relating to: 1) cash disbursements and expenses; 2) revenues; 3) personnel and payroll; 4) accounts receivable; 5) inventories; and 6) fixed assets.
5. We performed procedures to confirm internal administrative controls over compliance with the requirements of the Title IV-E program and the Ohio Admin. Code Chapter 5101:2.
6. We performed procedures to determine if Medicaid expenses were properly billed to the program.
7. We performed procedures to determine if there was proper monitoring of the Medicaid counseling.

On October 16, 2000, we held an exit conference with the following:

<u>Name</u>	<u>Office/Position</u>
Robert C. Mecum	Lighthouse Youth Services, Inc. Executive Director
Robert Boden	Lighthouse Youth Services, Inc. Trustee
Kenneth Feldmann	Lighthouse Youth Services, Inc. Trustee
Stanford Williams	Lighthouse Youth Services, Inc. Trustee
Reba St. Clair	Lighthouse Youth Services, Inc. Treasurer/Trustee
Marilon Winther	Lighthouse Youth Services, Inc. Controller
Adriene Phillips	Lighthouse Youth Services, Inc. Assistant Controller
Bonita Campbell	Lighthouse Youth Services Foster Care Director
Jessie M. Tower	ODJFS Chief Bureau of IV-E Plan Administration
Arthur Stackhouse	ODJFS Chief Inspector
Gregory W. Kelly	Auditor of State Assistant Chief Deputy Auditor
Edna Frezgi	Auditor of State Deputy Auditor
Jerry Muskal	Auditor of State Assistant Auditor 3
Rick Johns	Auditor of State Assistant Auditor 3

Our detailed procedures and the results of applying these procedures are contained in the attached *Supplement to Report on Agreed-upon Procedures*. Because these procedures do not constitute an examination conducted in accordance with generally accepted auditing standards, we do not express an opinion or limited assurance on any of the accounts or items referred to above. Also, we express no opinion on the Placement Agency's internal control system over financial reporting or any part thereof. Had we performed additional procedures, or had we conducted an audit of the financial statements in accordance with generally accepted auditing standards, other matters might have come to our attention that would have been reported to you. This report addresses transactions relating to the above procedures only and does not extend to the financial statements of the Placement Agency, taken as a whole.

This report is intended for the information of the officials of ODJFS and is not intended to and should not be used by anyone other than this specified party. However, this report is a public record, and is available upon specific request.

JIM PETRO
Auditor of State

October 16, 2000

LIGHTHOUSE YOUTH SERVICES, INC.
SUPPLEMENT TO REPORT ON AGREED-UPON PROCEDURES

BACKGROUND INFORMATION

The challenge of child welfare reform is formidable and we commend ODJFS on its recent efforts to reform the child welfare system. The Department has invited a comprehensive group of stakeholders to participate in its child welfare reform initiative. On April 6, 1999, the Department Director requested that the Auditor of State assist the Department in its efforts to improve the child welfare system by conducting a performance audit of its child welfare program. In collaboration with ODJFS and the stakeholders group, the child welfare performance audit will identify issues that are preventing effective and efficient delivery of high quality services to children and families, and recommend methods to improve the Department's processes. ODJFS should consider the audit findings and recommendations presented in our report as it attempts to bring about needed improvements and reform. The report will be released in the winter of 2000.

The results of our Child Protective Services performance audit of Montgomery County Children Services Agency and the special audit of Searchlight C.A.R.E. Inc., released February 10, 2000 and June 3, 1999 respectively, identified the need for significant improvement of the child welfare system. In each of these audits the Auditor of State made recommendations directed at increasing and improving fiscal accountability and compliance with applicable laws and regulations.

In response to concerns about a lack of fiscal accountability and questionable business practices, a memorandum of understanding was signed July 6, 1999, between ODJFS (formerly ODHS) and the Auditor of State (AOS). This memorandum formalized an agreement that ODJFS and AOS would perform certain agreed-upon procedures under the supervision of the AOS. The agreement called for the AOS to supervise the engagement, issue the report and provide training to selected ODJFS staff members. The procedures are being performed at twenty-five private agencies for periods beginning January 1, 1998 and extending for a minimum of twelve months or a maximum of eighteen months.

LEGAL AUTHORITY

Administration of Title IV-E Funds

Title IV-E of the Social Security Act authorizes the payment of federal funds to states to provide foster care to children who have been removed from their homes through a voluntary placement agreement or judicial determination.² The program is administered at the federal level by the Administration for Children and Families (ACF), United States Department of Health and Human Services.

In the State of Ohio, the Department of Job and Family Services (formerly ODHS) acts as the single state agency to administer federal payments for foster care, and shall adopt rules to implement this authority.³ Within ODJFS, the program is administered by the Office of Child Care and Family Services.

At the local level, each county's public children services agencies (PCSA) or department of human services administer funds provided under Title IV-E of the Social Security Act in accordance with the rules adopted by the state Department of Human Services.⁴

² 94 Stat. 501 (1980), 42 U.S.C. Section 671, as amended.

³ Ohio Rev. Code Section 5101.141 (A). Rules established pursuant to this authority are found at Ohio Admin. Code Chapter 5101:2-47

⁴ Ohio Rev. Code Section 5153.16 (A) (14).

LIGHTHOUSE YOUTH SERVICES, INC.
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Public Children Services Agency Contractual Requirements

PCSAs are authorized to enter into contracts with PCPAs or PNAs to provide care and services which it deems to be in the best interest of any child who needs or is likely to need public care and services.⁵ PCPA/PNAs are licensed by ODJFS to act as a representative of ODJFS in recommending family foster homes for certification; accept temporary, permanent and legal custody of children; and place children for foster care or adoption.

The Hamilton County Department of Human Services, Hamilton County Mental Health Board and Hamilton County Alcohol and Drug Addiction Services Board “formed an informal Partnership Team for the purpose of contracting for the services of a management services organization to coordinate and administer the delivery of child welfare, mental health and alcohol and drug addiction treatment services to the children and families they serve.”⁶ The Partnership Team entered into an agreement with Magellan Public Solutions, Inc. to act as a third party administrator and provide those services. Lighthouse, a PNA contracted with Magellan, the third party administrator for HCCSA, a PCSA.

Billing Process

The PCPA or PNA submits an invoice monthly to the PCSA. The invoice contains specific information on each child, his or her per diem rate and the number of days in placement. Each month, the PCSA pays the PCPAs and PNAs based on their previous month’s invoice, and reports to ODJFS the amount paid for each child and for other services including, but not limited to, case management, transportation for the children, recruiting and training foster parents.⁷

Reports and Records

Not-for-profit PCPAs and PNAs that provide foster care services for children eligible under the Title IV-E program are required to submit cost reports annually to ODJFS.⁸ Costs reported are used to determine a maximum allowable reimbursement rate under the Title IV-E program for foster care maintenance payments and administrative costs. ODJFS requires that the governing body of the PCPA or PNA authorize and review an annual audit with an opinion of the organization’s finances by an independent certified or registered public accountant, and asks that⁹ and asks that a copy of the last completed audit be submitted with the annual cost report.

⁵ Ohio Rev. Code Section 5153.16 (C)(2)(a)(v).

⁶ Agreement for Magellan Public Solutions, Inc. to Create and Operate a Management Services Organization to Manage “Child Welfare, Mental Health, and Addiction Services” for Consumers of the Hamilton County Department of Human Services, Hamilton County Mental Health Board and Hamilton County Alcohol and Drug Addiction Services Board dated August 27, 1997, p1.

⁷ Ohio Admin. Code Section 5101:2-47-11(G). Prior to 5/1/98, these requirements were generally contained in Ohio Admin. Code Section 5101:2-47-65(E).

⁸ Form ODHS 2910 Purchased Family Foster Care Cost Report is applicable to PCPAs and PNAs. Annual filing requirement is found at Ohio Admin. Code Section 5101:2-47-24(D). Prior to 5/1/98, the annual filing requirement was contained in Ohio Admin. Code Section 5101:2-47-20(C)(1).

⁹ Ohio Admin. Code Section 5101:2-5-08(A)(5). Effective 7-1-00, after the audit period, ODJFS amended this rule to provide that for PCPAs and PNAs with an annual gross income of less than \$300,000, it would be sufficient to prepare a written annual financial statement of the PCPA or PNA finances in accordance with generally accepted accounting principles. In addition to having the governing board authorize and review the required financial statements and audits, the amended rule requires agencies to submit them to ODJFS.

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Financial records, supporting documents, statistical records, and all other records pertinent to an award shall be retained for a period of three years from the date of submission of the final expenditure report...¹⁰

Cost Principles

Title IV-E foster care maintenance payments are designed to cover the cost of (and the cost of providing) food, clothing, shelter, daily supervision, school supplies, a child's personal incidentals, liability insurance with respect to a child, and reasonable travel to the child's home for visitation.¹¹

Allowable and unallowable cost guidelines for use in completing the cost reports are contained in the Ohio Administrative Code and Office of Management and Budget Circular A-122 *Cost Principles for Non-Profit Organizations*.

In addition, because the PCPAs and PNAs enjoy federal tax-exempt status, they are directly precluded from assigning any part of their net earnings to the benefit of any private shareholder or individual...¹²

Office of Management and Budget (OMB) Circular A-133 *Audits of States, Local Governments, and Non-Profit Organizations*, establishes an audit requirement for federal funds (including Title IV-E funds) administered by state and local governments and non-profit entities, and authorizes auditors to question unallowed costs which appear to have resulted from a violation of law, regulation or other agreement governing the use of such funds, costs which are not supported by adequate documentation, or appear unreasonable.¹³

ODJFS codified the cost principles to which the PCPAs and PNAs are subject to by its promulgation of Ohio Admin. Code Sections 5101:2-47-11(C) and 5101:2-5-08 (G).

Ohio Admin. Code Section 5101:2-47-11(C), states: "Allowable and unallowable cost guidelines for use in completing the ODHS 2909 and ODHS 2910 are contained in rules 5101:2-47-25 and 5101:2-47-26 of the Administrative Code and the Office of Management and Budget (OMB) Circulars A-87 and A-122."¹⁴ Specifically, ODJFS considers certain costs to be unallowable for purposes of calculating the rate at which foster care maintenance costs can be reimbursed with federal Title IV-E funds including, but not limited to, contributions, donations, or any outlay of cash with no prospective benefit to the facility or program; entertainment costs for amusements, social activities, and related costs for staff only; and costs of activities prohibited under section 501(c)(3) of the Internal Revenue Code.¹⁵

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- ¹⁰ Office of Management and Budget(OMB) Circular A-110 Uniform "Administrative Requirements for Grants and Agreements with Institutions of Higher Education, Hospitals and Other Nonprofit Organizations: Subpart C Paragraph 53 (b).
- ¹¹ 42 U.S.C. Section 675 (4) (A).
- ¹² 26 U.S.C. Section 501(c)(3)
- ¹³ Pursuant to her rulemaking authority under the Single Audit Act, 31 U.S.C. Section 7505, the Secretary of the Department of Health and Human Services has promulgated a regulation which provides that state and local governments, as well as recipients and subrecipients that are non-profit organizations, are subject to the audit requirements contained in the Single Audit Act, 31 U.S.C. Sections 7501 et seq., and OMB Circular A-133. See 45 C.F.R. Section 74.26(b) and (a) (1999), respectively.
- ¹⁴ Prior to 5/1/98, applicable cost guidelines were contained at Ohio Admin. Code Sections 5101:2-47-63 and 5101:2-47-64.
- ¹⁵ Ohio Admin. Code 5101:2-47-26. Prior to 5/1/98, these requirements were contained in Ohio Admin. Code Section 5101:2-47-64

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Ohio Admin. Code Section 5101:2-5-08 (G) states, "A PCPA or PNA shall not permit public funds to be paid or committed to be paid to any corporation, firm, association or business in which any of the members of the governing body of the agency, the executive personnel or their immediate families have any direct or indirect financial interest, or in which any of these persons serve as an officer or employee, unless the services or goods involved are provided at a competitive cost or under terms favorable to the PCPA or PNA. The PCPA or PNA shall make written disclosure, in the minutes of the board, of any financial transaction of the PCPA or PNA in which a member of the board or his/her immediate family is involved."

The Office of Management and Budget Circular A-110 *Uniform Administrative Requirements for Grants and Agreements with Institutions of Higher Education, Hospitals and Other Nonprofit Organizations* establishes standards for uniform administrative requirements for federal grants and agreements with institution of higher education, hospitals, and other nonprofit organizations. Subpart C of Circular A-110 set forth requirements regarding: financial and program management, property and procurement standards, reports and records and termination and enforcement.

Reimbursement Process

The reimbursement process begins early each fiscal year when ODJFS disburses funds to the counties under its state plan for foster care approved by the Secretary of the U.S. Department of Health and Human Services. ODJFS submits quarterly reports to the U.S. Department of Health and Human Services (HHS) for reimbursement of federal financial participation (FFP) in foster care payments¹⁶ made to the PCPAs and PNAs.

In 1998, the FFP was 58% for maintenance payments¹⁷ made and 50% for administrative costs¹⁸ incurred under the Title IV-E program.

Each PCSA negotiates a foster care per diem rate (which includes maintenance and administrative costs) for each foster child placed with a PCPAs or PNAs. Maximum allowable federal reimbursement under Title IV-E for maintenance payments and administrative costs are set by ODJFS. The PCPA/PNA may contract with foster parents at a different foster care per diem rate for each foster child.

¹⁶ Ohio Admin. Code Section 5101:2-47-11 recites the foregoing reporting and reimbursement requirements. Prior to 5/1/98, these provisions were recited in Ohio Admin. Code Sections 5101:2-47-20 and 5101:2-47-65.

¹⁷ 45 C.F.R. 1356.60(a)(2) (1999); ODHS Administrative Procedure Letter No. 245, dated 9/22/97; ODHS Family, Children & Adult Services Procedure Letter No. 61, dated 9/9/98.

¹⁸ 45 C.F.R. 1356.60(c) (1999); ODHS Administrative Procedure Letter No. 245, dated 9/22/97; ODHS Family, Children & Adult Services Procedure Letter No. 61, dated 9/9/98.

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Child Welfare Demonstration Project (ProtectOhio)

In October 1997, ODJFS implemented a waiver received from the U.S. Department of Health and Human Services of certain Title IV-E requirements to conduct a Child Welfare Demonstration Project, known as Protect Ohio.¹⁹ The project allows ODJFS to expand the types of services provided and increase the number of children and families served in certain demonstration counties.²⁰

It is concerned with the flexible use of Title IV-E foster care maintenance payments, and the waiver is applied to funds which are used for that purpose, or would have been used in the absence of this project.²¹ To implement ProtectOhio, ODJFS entered into contracts with 14 counties, including an agreement on September 25, 1997, with the Hamilton County Board of Commissioners and Hamilton County Children Services.²² Sections III, IV and V of this agreement describe how Title IV-E funds are to be preallocated to Hamilton County, rather than reimbursed according to the per diem rates described above. Our Review takes into consideration the change in federal funding methodology during the Period.

Allowable Costs

In addition to the Ohio Administrative Code and Office of Management and Budget Circular A-122 *Cost Principles for Non-Profit Organizations*, the terms and conditions of the contract between Magellan and Lighthouse formed the criteria to which we referred during our testing to determine if the expenditures at Lighthouse were used to provide only the administrative and direct service costs necessary to perform the services outlined in the contract.

On January 20, 1998 Lighthouse entered into a contract with Magellan Public Solutions Organization, the third party administrator for HCCSA.²³ Purposes for which funds paid to Lighthouse by Magellan may be used are explicitly outlined in a contract between Magellan Public Solutions and Lighthouse.

“Covered Services” means those child welfare and/or mental health treatment services described below, which are Medically/Psychologically/Socially Necessary for Consumers and which are covered under the County Agreement per Section I(E) of the agreement.

¹⁹ The authority for ODJFS to participate in this project is found in Ohio Rev. Code Section 5101.142.

²⁰ On 2/14/97, Laurence J. Love, Deputy Assistant Secretary for Children and Families, HHS, advised then ODHS Director Arnold R. Tompkins that ODHS' proposed waiver project had been approved, subject to its written acceptance of certain waiver terms. ODHS accepted the terms on March 20, 1997. Specifically waived for the project were the following provisions of the Social Security Act and Program Regulations: 42 U.S.C. Section 672(a), (c) and (e); 42 U.S.C. Section 671(A)(10); and 45 C.F.R. 1356.80(h) (thereby expanding eligibility for services); and 42 U.S.C. 674 Section (a)(3)(E) and 42 U.S.C. Section 677(e)(3) (thereby expanding services).

²¹ Department of Health and Human Services, Administration for Children and Families, Waiver Terms and Conditions, Ohio Child Welfare Wavier Demonstration Project, Section 2 “Implementation,” Paragraph 2.6

²² This agreement is effective by its terms from October 1, 1997, through September 30, 2002.

²³ Magellan Public Solutions, Inc. had entered into an agreement to Create and Operate a Management Services Organization to Manage “Child Welfare, Mental Health, and Addiction Services” for consumers of the Hamilton County Department of Human Services, Hamilton County Mental Health Board and Hamilton County Alcohol and Drug Addiction Services Board dated August 27, 1997.

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Covered Services are categorized in Exhibit 3 of the agreement as follows:

Emergency Mental Health Treatment, Group Home, Home & Community Based Therapy, In Home Behavior Management Training, Neighborhood-based Services (Family-to-Family), Psychiatric Evaluations, Psychological Assessments, Residential Treatment (Level 1,2 & Crisis Stabilization), Semi-Independent/Independent Living, and Therapeutic Foster Care (Levels 1, 2 and 3; and Traditional TFC).

Under Section V (A)(6) of the Magellan contract, Lighthouse Youth Services, Inc. agreed to “maintain adequate and accurate medical and billing records concerning Consumers receiving Covered Services and shall retain such records for time periods as required by applicable laws.” Furthermore, 45 C.F.R. Section 74.53(b)(1999) generally requires that such records be retained for a period of three years.

Administration of Medicaid Services

Lighthouse also receives Medicaid receipts for reimbursement of medical counseling services provided by Lighthouse to the foster children.

Administrative rules promulgated by the Ohio Department of Job and Family Services, Medicaid Division, place certain requirements on applications for reimbursement by providers.

Ohio Admin. Code Section 5101:3-4-02 generally provides for reimbursement of an eligible provider for certain services provided by non-physicians under the direct or general supervision of a physician, including services provided by social workers for the diagnosis and treatment of mental and emotional disorders as outlined in Ohio Admin. Code Section 5101:3-4-29.

Pursuant to Ohio Admin. Code Section 5101:3-4-29(D), reimbursements for such services under the Medicaid program go to the employing or contracting physician or clinic.

Ohio Admin. Code Section 5101:3-4-29(G) requires that these services, performed by a licensed social worker or CAW, must be billed using the following procedure codes:

- H5010 Therapy, individual, by social worker, per hour.
- H5020 Psychotherapy, group (maximum eight persons per group), by non-physician, forty-five to fifty minutes, per person, per session.
- H5025 Psychotherapy, group (maximum eight persons per group), by non-physician, ninety minutes, per person, per session.

ODJFS OVERSIGHT RESPONSIBILITY

In our Child Protective Services Performance Audit, Montgomery County Children Services Agency audit issued February 10, 2000 we stated:

“Ohio’s system of state supervised, county administered foster care has significant gaps in monitoring and oversight. As a result, it is ineffective in protecting children and providing permanent placement and inefficient in the cost and quality of services delivered. The general lack of written agreements that clearly identify the duties and responsibilities of the contracting parties and remedies for breach contributed to the inefficiencies.”

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In its role as the single state agency²⁴ responsible for the administration of foster care, ODJFS must take the necessary measures to close the significant gaps in monitoring and oversight indicated in that audit and corroborated in this report of agreed upon procedures of Lighthouse and other private agencies.

The above statement reflects a systemic weakness identified in the foster care engagements, however it should be noted Magellan did enter into a written agreement with Lighthouse.

To close that gap, we recommend ODJFS do the following:

1. Establish through rule a standard contracting requirement for PCSAs using the services of private agencies that effectively sets forth all applicable compliance requirements, fiscal accountability standards and allowable cost.
2. Design and implement an effective system of program monitoring of public and private agencies to ensure fiscal accountability and program compliance that includes desk reviews of all cost reports and periodic site visits at public and private agencies.
3. Design and implement a cost reimbursement system that properly classifies and allocates cost in a manner that ensures claims are properly submitted in accordance with applicable rules and regulations.
4. Establish guidance that sets forth the minimum standards for public and private agencies to document their fiscal accountability and legal compliance to ODJFS, the Auditor of State or their designated representative during an audit or review.
5. ODJFS should establish by administrative rule a cap on the percentage of the private agency's allowable administrative cost. This administrative cost cap should be structured in a manner that maximizes the amounts expended for maintenance and other direct services to children, while allowing a reasonable percentage for necessary administrative costs.

RESOLUTION OF QUESTIONED COSTS

Certain deficiencies identified in our Review may require us to report questioned costs to the U.S. Department of Health and Human Services and ODJFS. OMB Circular A-133 defines questioned costs²⁵ as follows:

“Questioned cost means a cost that is questioned by the auditor because of an audit finding:

1. Which resulted from a violation or possible violation of a provision of a law, regulation, contract, grant, cooperative agreement, or other agreement or document governing the use of Federal funds;
2. Where the costs, at the time of the audit, are not supported by adequate documentation; or
3. Where the costs incurred appear unreasonable and do not reflect the actions a prudent person would take in the circumstances.”

²⁴ Ohio Rev. Code Section 5101.141(A)

²⁵ Office of Management and Budget (OMB) Circular A-133, Subpart A, .105 Definitions

LIGHTHOUSE YOUTH SERVICES, INC.
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The foster care program in Ohio is funded with a combination of federal, state and local funds. Historically the percentage of funding has averaged approximately 37% federal, and 10% state reimbursement, and 53% local. During fiscal year 1998 the percentage of funding was 40% federal, and 10% state reimbursement and 50% local funds. These funds are commingled when paid to the Placement Agency to perform the program functions for which it is certified by ODJFS to perform. The accounting systems of the Placement Agencies, in general, are not designed to classify or track expenditures by the source of funds and it is difficult, if not impossible to match expenditures that result in questioned costs with the corresponding source of funds.

When reporting questioned costs, we did not attempt to allocate those cost among the entities that provided the funding. However, we do recommend that as part of its resolution of our findings that ODJFS, in addition to requiring the Placement Agency to submit a corrective action plan, do the following:

1. Seek full recovery of questioned cost resulting from the Placement Agency's actions, through payment or adjustment.
2. Take measures to rationally allocate the recovered costs among the entities that provided the funding.
3. Reimburse the funding entities by payment or adjustment based on the allocation.

AGENCY INFORMATION

Lighthouse Youth Services, Inc. is a private noncustodial agency (PNA) that was established on February 6, 1969 as a nonprofit organization which is exempt from federal income tax under Internal Revenue Service Section 501 (c)(3). Lighthouse is licensed by ODJFS to recommend families to become foster families, place children in foster homes, to operate a children's residential center, to operate and provide independent living arrangements and to participate in the placement of children for adoption. When a county children services agency needs a home for a foster child, it can contact agencies such as Lighthouse to place the child. The group of family foster homes (private foster network) utilized by Lighthouse has been in place since 1979. Lighthouse places foster children primarily for HCDJFS through Magellan. Lighthouse has provided services to Butler and Clermont County public children services agencies during the Period.

New Life Properties, Inc.

New Life Properties, Inc. is an entity which holds and operates the various facilities in which the projects of Lighthouse take place. It is exempt from federal income tax under Internal Revenue Service Section 501 (c)(3). All of the expenses of New Life Properties are considered to be management and general in nature. Lighthouse rents these facilities, as well as autos and equipment, from New Life Properties under annual leases. The two organizations share Board members.

Youth Opportunities United, Inc.

Lighthouse entered into an affiliation with Youth Opportunities United, Inc. effective on July 1, 1995. Youth Opportunities remains as a separate corporation with its own Board of Trustees and is exempt from federal income tax under Internal Revenue Service Section 501 (c)(3). Lighthouse provides managerial guidance, employee benefit administration, and assistance with grant and foundation funding opportunities. Youth Opportunities is a community-based intervention program servicing high-risk youth. The two organizations share Board members.

**LIGHTHOUSE YOUTH SERVICES, INC.
SUPPLEMENT TO REPORT ON AGREED-UPON PROCEDURES**

The following table shows statistical information about the agency for 1998 taken from the ODHS 2910 Purchased Family Foster Care Cost Report and other documentation provided by the Placement Agency:

**Table I
Lighthouse Youth Services, Inc.
Foster Care Statistics**

Characteristic	Statistic
Daily Average Number of Children in Placement	71
Number of Active Licensed Foster Homes	50
Average Per Diem Rate	\$62
Number of PCSAs from which agency receives children	3
Required Training for Foster Care giver Orientation	18 hours
Required Annual Training for Foster Care giver	12 Hours
Expenditures Reported per the Title IV-E Purchased Family Foster Care Cost Report	\$1,384,284
Characteristics of Children Placed by Agency	Traditional to Behavioral

During the Period, the Lighthouse foster care staff consisted of 21 people including a division director, assistant director, program director, youth workers, clinical supervisor, advocates, secretaries, and social workers to provide the needed counseling and case management services to the foster children and foster parents.

Lighthouse's revenues were comprised primarily of funds from governmental entities. The most significant contract was with the Department of Youth Services in the amount of \$1,865,001. The total revenue received by Lighthouse for foster care services during the Period of January 1, 1998 to December 31, 1998 was over \$2,518,000. Lighthouse also received Medicaid funds for counseling services that Lighthouse employees provide to foster children.

The following table shows the sources of revenue per the general ledger for the calendar year 1998 and the percentage of total revenue for each source.

**LIGHTHOUSE YOUTH SERVICES, INC.
SUPPLEMENT TO REPORT ON AGREED-UPON PROCEDURES**

**Table II
Lighthouse of Youth Services, Inc.
Revenue by Source**

	1998	Percent of Total Revenue
Hamilton County	\$530,911	5
Clermont County	277,781	3
Butler County	451,572	4
Governmental Grants & Agreements ²⁶	3,186,244	32
Contributions	119,108	1
Ohio Department of Youth Services	1,865,001	19
FCFC & Creative Connections ²⁷	1,258,161	13
Magellan ²⁸	1,644,823	17
Medicaid	78,778	1
Other Revenues	487,378	5
Total Revenue by Source	<u>\$9,899,757</u>	<u>100%</u>

Relevant Individuals and Entities

Robert C. Mecum

Robert Mecum is the Executive Director of Lighthouse Youth Services, Inc..

Marilon Winther

Marilon Winther is the Controller of Lighthouse Youth Services, Inc..

²⁶ Sources Included: Department of Health and Human Service; Department of Housing and Urban Development; Department of Education; and the U.S. Department of Justice

²⁷ Family and Children First Council (FCFC) created Family and Children First Management in 7/95 to provide individualized treatment planning for 286 of the most troubled children in the community from five different public agencies. In 11/98 Beech Acres established Creative Connections under contract with FCFC and in partnership with Lighthouse to assume those responsibilities.

²⁸ Lighthouse Youth Services, Inc. contracted with Magellan Public Solutions the third party administrator for HCDJFS, a PCSA to provide foster care services.

LIGHTHOUSE YOUTH SERVICES, INC.
SUPPLEMENT TO REPORT ON AGREED-UPON PROCEDURES

ISSUE 1	TEST OF EXPENDITURES IN ACCORDANCE WITH TERMS OF AGREEMENTS AND APPLICABLE LAWS
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Objective:

To determine whether the Placement Agency's expenditures complied with the terms and conditions of its contractual agreements, provisions of applicable laws and regulations, and proper business purposes during the Period.

Procedures Performed:

1. We obtained all canceled checks for non-payroll disbursements made by Lighthouse for each month during the Period (See Issue 5 for the reconciliation of payroll disbursements).
2. We inspected the details of every canceled check returned by the bank during the Period including vendor, amount, authorizing signature and endorsement for compliance with the terms and conditions of its contractual agreements, provisions of applicable laws and regulations, and proper business purposes.
3. For selected disbursements which were not adequately documented and did not appear reasonable considering: the nature of business or the vendor; high dollar amounts; checks payable to the staff or foster parents or authorizations contrary to policy, we requested supporting documentation, such as invoices.
4. We inspected the supporting documentation to determine compliance with program requirements for expenditures and for potential self-dealing transactions prohibited by Ohio Admin. Code Section 5101:2-5-08 (G).
5. We discussed with agency management all expenditures (check disbursements) that we found lacked adequate supporting documentation, were unallowable or unreasonable as defined in applicable rules, regulations and/or contract provisions.
6. We obtained all credit card statements paid by Lighthouse for the Period and inspected details of each charge including vendor, amount, and authorization for compliance with the terms and conditions of its contractual agreements, provisions of applicable laws and regulations, and proper business purposes.
7. For selected credit card expenditures which were not adequately documented and did not appear reasonable considering: the nature of business or the vendor; high dollar amounts; checks payable to the staff or foster parents or authorizations contrary to policy, we requested supporting documentation, such as invoices.
8. We discussed with agency management all credit card expenditures that we found lacked adequate supporting documentation, were unallowable or unreasonable as defined by applicable rule regulations and/or contract provisions.
9. We read lease agreements and other documents supporting all car lease payments. We determined the percentage of time the cars were used for business and whether personal use was properly disclosed on the employees' W-2.

**LIGHTHOUSE YOUTH SERVICES, INC.
SUPPLEMENT TO REPORT ON AGREED-UPON PROCEDURES**

10. We read lease agreements and other documentation supporting all building lease or mortgage payments to determine property ownership, previous ownership and relationship between current and previous owners and Lighthouse.

ISSUE 1-1	CHECK AND CREDIT CARD DISBURSEMENTS NOT ALLOWED OR WHICH LACK SUPPORTING DOCUMENTATION
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Results:

To be allowable under an award, cost must, among other things be adequately documented.²⁹ All expenditures should be supported by sufficient documentation to demonstrate the proper authorization, approval and purpose of the expenditure.

Contributions and donations to others are unallowed.³⁰ Furthermore, the cost of organized fund raising activities are deemed unallowable for reporting and reimbursement.³¹ In addition, expenditures related to entertainment costs for amusement, social activities and a related cost for staff only³² are unallowed cost for use in completing the ODHS 2910 cost report.

Furthermore, under Section V (A)(6) of the Magellan contract Lighthouse Youth Services, Inc. agreed to "...maintain adequate and accurate medical and billing records concerning Consumers receiving Covered Services and shall retain such records for time periods as required by applicable laws."³³

The one hundred seventy-two (172) credit card expenditures examined represented \$32,791 in charges. We requested supporting documentation for these expenditures such as invoices, billing statements, calendar dates of the foster care related event, authorization by the board or responsible party, an explanation of how the expenditure provided a benefit to program or was necessary to the operation of the foster care program. Lighthouse was unable to provide us with supporting documentation or an explanation of how the expenditure provided a benefit to the program or was necessary to the operation of the agency for 39 credit card transactions totaling \$2,037.

Many of these expenditures were not considered to be a proper direct service or administrative costs necessary to perform the services outlined in the contract with Magellan. These improper and unallowed expenditures consisted of fund-raising costs, meals and awards for staff, and finance charges.

The one hundred seven (107) check disbursements examined represented \$249,453 in charges. Lighthouse Youth Services, Inc. was unable to provide us with supporting documentation for seven (7) disbursements totaling \$537. This represented shortages in the amount authorized and the amount accounted for in various petty cash funds.

²⁹ Office of Management and Budget (OMB) Circular A-122 "Cost Principles for Non-Profit Organizations" Attachment A, Paragraph A(2)(g).

³⁰ Office of Management and Budget (OMB) Circular A-122 "Cost Principles of Non-Profit Organizations"; Attachment B, Paragraph 9.

³¹ Ohio Admin. Code Section 5101:2-47-26(A)(12). Prior to 5/1/98 this provision was contained in Ohio Admin. Code Section 5101:2-47-64(L).

³² Ohio Admin. Code Section 5101:2-47-26(A)(7). Prior to 5/1/98 this provision was contained in Ohio Admin. Code Section 5101:2-47-64(L).

³³ 45 C.F.R. Section 74.53(b)(1999) generally requires that such records be retained for a period of three years.

**LIGHTHOUSE YOUTH SERVICES, INC.
SUPPLEMENT TO REPORT ON AGREED-UPON PROCEDURES**

Additionally, we found two (2) check disbursements totaling \$635 for a fund-raising contribution from the Executive Director and an employee picnic were considered to be contributions and donations by the organization to others and entertainment costs for amusement, social activities and a related cost for staff only.

The Executive Director attended a fund raising breakfast to support a local Judge. The Executive Director requested and received a check written to himself for \$250, out of the Administration/Conference and meetings line item. He then wrote a personal check to the campaign committee for the Judge.

Per discussion with the Assistant Controller, Lighthouse has established a fund-raising account with the purpose of generating funds for the agency, and this is sometimes accomplished by agency officials attending high profile events where influential people attend, who are in the position of offering donations and/or directing donations to the agency.

**Table III
Lighthouse Youth Services, Inc.
Questioned Costs**

Undocumented and Unallowed Expenditures	
Undocumented Check Expenditures	
Petty Cash fund expenditures	<u>537</u>
Unallowable Expenditures	
Check Expenditures	
Fund-raising contribution for Executive Director	250
Picnic for employees	<u>435</u>
Total Unallowable Check Expenditures	<u>685</u>
Credit Card Expenditures	
Agency Dinner and Awards for Staff	1,282
Meals for retiring trustees	83
Finance Charges	<u>534</u>
Total Unallowable Credit Card Expenditures	<u>1,899</u>
Total Unallowable Expenditures	<u>2,584</u>
 Total Questioned Costs	 <u>\$3,121</u>

Federal Questioned Costs: \$3,121

Due to inadequately documented expenditures reported on the cost report and charged against the foster care program, Lighthouse Youth Services, Inc. was in violation Section V(A)(6) of the Magellan contract, OMB Circular A-122³⁴ in the amount of \$537. Lighthouse Youth Services, Inc. was also in violation of Ohio Admin. Code Section 5101:2-47-26(A)(7) with respect to the unallowed expenditures in the amount \$2,584. The undocumented and unallowed federal questioned cost totaled \$3,121.

The Executive Director repaid Lighthouse \$250 on October 8, 2000, from his personal checking account.

³⁴ Office of Management and Budget (OMB) Circular A-122 "Cost Principles of Non-Profit Organizations", Attachment A, Paragraph A (2)(g).

**LIGHTHOUSE YOUTH SERVICES, INC.
SUPPLEMENT TO REPORT ON AGREED-UPON PROCEDURES**

Management Comment:

Lighthouse did not adhere to the Magellan contract regarding documentation of allowable direct and administrative costs requirements. The Hamilton County Department of Job and Family Services should require the agencies for which it contracts for placement services, to obtain and submit to HCDJFS an annual financial audit performed in accordance with government auditing standards.

In addition, to the financial statement opinion, professional standards would require the auditor to report on the Placement Agency's compliance with laws and regulations and on internal controls. HCDJFS should review these reports and follow up on any exceptions reported.

ISSUE 1-2	FAILURE TO PROVIDE FINANCIAL RECORDS
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Results:

OMB Circular A-110, Subpart C, Paragraph 53(b) states: "Financial records, supporting documents, statistical records, and all other records pertinent to an award shall be retained for a period of three years from the date of submission of the final expenditure report..."

Furthermore, under Section V (A)(6) of the Magellan contract Lighthouse Youth Services, Inc. agreed to "...maintain adequate and accurate medical and billing records concerning Consumers receiving Covered Services and shall retain such records for time periods as required by applicable laws."³⁵

Lighthouse was unable to provide bank statements for sixteen of twenty four bank accounts during the Period. Of the sixteen accounts, fourteen had bank statements which covered six months or less and bank statements for two of the accounts could not be located. Failure to maintain access to financial records as required impairs the agency's as well as the county and the state agencies' ability to monitor financial transactions. In addition, it increases the risk that errors or irregularities could occur and go undetected.

Lighthouse maintained its financial records on its fiscal basis of July through June; therefore, they had most of the bank statements available from 7/98 to 12/98. Also, as a result of their move, from one facility to another, many records were unorganized and still in storage.

Management Comment

Lighthouse should maintain and keep its records available in accordance with the requirements of its contract with Magellan and OMB Circular A-110.

ISSUE 2	TEST OF FUNDING RECEIVED FROM PUBLIC SOURCES
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Objective:

To determine whether all receipts and deposits from the applicable public children services agencies to Lighthouse for the Period were properly deposited and recorded in the accounting records of the Placement Agency.

³⁵

45 C.F.R. Section 74.53(b)(1999) generally requires that such records be retained for a period of three years.

**LIGHTHOUSE YOUTH SERVICES, INC.
SUPPLEMENT TO REPORT ON AGREED-UPON PROCEDURES**

Procedures Performed:

1. We determined the types of revenue that Lighthouse received during the Period, by scanning the audited financial statements and the supporting general ledger.
2. We identified the sources of receipts received from bank statements and other related records.
3. We obtained documentation from the Hamilton County Auditor and through the Ohio Department of Human Services Medicaid Management Information System to determine the completeness of receipts received and deposited for fees for services and Medicaid.
4. We tested a sample of 10% of the monthly billings by the Placement Agency to HCDJFS/Magellan for foster care placements to determine whether the amounts billed were received, and the receipts were deposited and recorded in the Placement Agency's financial records.
5. We scanned all revenue remittances and the general ledger to determine whether revenue had been recorded in the accounting records of the Placement Agency.

Results:

We documented the types of revenue that Lighthouse received as: program service fees from various counties and grants as well as contributions. They received Medicaid payments during the Period. We obtained documentation from the County Auditor and the ODJFS Medicaid Management Information Services to determine the completeness of the receipts from the HCDJFS and Hamilton County Community Mental Health Board (HCCMHB). Furthermore, we determined all Medicaid reimbursements and all the HCDJFS/Magellan disbursements to Lighthouse were receipted, deposited and recorded in its accounting records.

ISSUE 3	TEST OF PAYMENTS TO FOSTER PARENTS
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Objectives:

1. To determine whether Lighthouse's per diem payments to the foster parents were in accordance with the authorized schedule of per diem rates.
2. To determine the ratio of the per diem payments used for administration and maintenance.

Procedures Performed:

1. We obtained the monthly billing invoices submitted by Lighthouse for foster care services from HCDJFS and Magellan during 1998 and traced them to HCDJFS and Magellan Public Solutions' Vendor History Report (disbursement journal) and Payment History Report respectively for Lighthouse, detailing the payments to them.
2. We selected a representative sample of children identified by HCDJFS as Title IV-E eligible children being serviced by Lighthouse.
3. We found the child's name on the appropriate month's HCDJFS vendor payment history report. We computed the amount of maintenance that would have been paid for each child.
4. We compared payments received by Lighthouse from Magellan to the corresponding Lighthouse billing in the month selected for each child in the sample.

**LIGHTHOUSE YOUTH SERVICES, INC.
SUPPLEMENT TO REPORT ON AGREED-UPON PROCEDURES**

5. We obtained the contracts or per diem agreements between the Lighthouse and the foster parent for each child in the sample.
6. We obtained and compared the authorized schedule of per diem rates to rates paid per the agreements between Lighthouse and Magellan and between Lighthouse and foster caregivers.
7. We compared the Lighthouse's per diem paid to the foster parents with the corresponding per diem it received from Magellan to determine the ratio of payments for administration and maintenance.

ISSUE 3-1	RATIO OF PAYMENT FOR ADMINISTRATION AND MAINTENANCE
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Results:

We tested the payments from Magellan Public Solutions (Magellan), the third party administrator for Hamilton County Department of Job and Family Services (HCDJFS) to Lighthouse for a sample of 55 foster children. The payments to the Placement Agency for this sample totaled \$57,368. We noted that the Placement Agency received the correct per diem rates noted in the Magellan contract.

The foster parents in the sample received \$25,771. We noted that these foster parents received the correct per diem rates per the Magellan contract. Of the \$57,368 received from Magellan, the agency made direct maintenance purchases (clothing vouchers) of \$1,249 and the foster parents received \$27,020 or 47% of the total funds paid to the Placement Agency by Magellan.

The remaining \$30,348 or 53% was retained by Lighthouse and used for administrative costs, other direct services to children or other purposes.

Management Comment:

ODJFS should establish by administrative rule a cap on the percentage of the private agency's allowable administrative cost. This administrative cost cap should be structured in a manner that maximizes the amounts expended for maintenance and other direct services to children, while allowing a reasonable percentage for necessary administrative costs.

ISSUE 3-2	LACK OF PER DIEM AGREEMENT WITH FOSTER PARENTS
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Results:

Per diem agreements between the Placement Agency and foster parents should represent the agreement of both parties to the terms of the foster care relationship. The Placement Agency should update their per diem agreements with the foster parents when changes occurred (increases or decreases in the assessed level of care rate which effects the amount paid to foster parents).

Of the 48 foster care payments in our sample, we found no contracts existed between Lighthouse and the foster parent(s). We found that Lighthouse did utilize a foster parent per diem adjustment form when there was a rate increase, however, this form was not used initially.

Per discussion with the Foster Care Division Director on January 4, 2000, she stated that ODJFS never required such an agreement. By not securing contract agreements, incorrect amounts could be paid to the foster parent(s). Also, the lack of an effective system of contracting and contract monitoring may impair Lighthouse's ability to manage costs and ensure it receives the level and quality of services needed.

**LIGHTHOUSE YOUTH SERVICES, INC.
SUPPLEMENT TO REPORT ON AGREED-UPON PROCEDURES**

Management Comment:

The per diem agreement between the Placement Agency and the foster parent should be completed for the initial placement. New per diem agreement with the foster parent should be completed for each subsequent rate change within a reasonable period of time. This would provide greater assurance to both the Placement Agency and the foster parent that the properly authorized and documented rate would be paid.

In January of 1999, the agency implemented updated foster parent per diem agreements whenever the assessed level of care changed or the per diem rates were increased or decreased for foster children. The agency then had foster parents sign these agreements to reflect the proper authorized and documented rate.

ISSUE 4	TEST OF INTERNAL CONTROLS
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Objectives:

1. To identify significant internal control weaknesses in the policies and procedures in place at the Placement Agency.
2. To recommend improvements in the internal control system in efforts to eliminate significant noncompliance, and increase fiscal accountability.

Procedures Performed:

1. We read the Board of Trustees minutes, personnel records, organizational chart and used this information to identify conflicts of interest and self dealing transactions that could result in noncompliance with Ohio Admin. Code 5101:2-5-08.
2. We completed an internal control questionnaire, and identified significant weaknesses that existed in the accounting cycle.
3. We inquired, documented and obtained corroborating information on the Placement Agency's internal control policies and procedures relating to: 1) cash disbursements and expenses; 2) revenues; 3) personnel and payroll; 4) accounts receivable; 5) inventories; and 6) fixed assets.

ISSUE 4-1	POTENTIAL CONFLICT OF INTEREST
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Results:

We found one Lighthouse employee that was also employed at the Hamilton County Department of Human Services while she was working for the Placement Agency. She was employed at Lighthouse on September 28, 1998. She terminated employment at the Hamilton County Department of Human Services on September 30, 1998 and was rehired by them on October 19, 1998.

She terminated employment with Lighthouse on April 23, 1999. The potential exists for an employee to execute or manipulate transactions that can be used for personal gain. Lighthouse did not have a policy which required employees to sign a conflict of interest form or disclose their outside employment. Not having a conflict of interest policy could result in employees taking outside employment that could affect the Agency's operation or result in conflicts of interest that could go undetected.

**LIGHTHOUSE YOUTH SERVICES, INC.
SUPPLEMENT TO REPORT ON AGREED-UPON PROCEDURES**

Management Comment:

We recommend Lighthouse establish personnel policies and procedures that provide sufficient information to monitor any outside employment, activities, or relationships that could potentially create a conflict of interest. In addition, Lighthouse should ensure the PCSAs that place children with Lighthouse are aware of its policy.

ISSUE 4-2	RECONCILIATION OF ACCOUNTS RECEIVABLE AND PAYMENTS RECEIVED
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Results:

Sound financial management requires timely billing and receipt of payment for the services that they are providing. Upon the introduction of Magellan, third party administrator for HCDJFS, Lighthouse and other agencies experienced significant delays in receiving payments for billing services. According to Lighthouse personnel, Magellan did not provide adequate training and information about the process. As a result of poor communication between Magellan and Lighthouse, Lighthouse had to reenter data for 5 months worth of billing. This process resulted in Lighthouse Youth Services, Inc. obtaining reports without sufficient detailed information to perform a reconciliation of services provided and payments received in a timely manner.

Significant delays in billing and receiving payments could have an adverse effect in the Agency's operations and ability to provide services.

Management Comment:

We recommend the Placement Agency meet with Hamilton County Department of Job and Family Services and Magellan to identify the causes of late billings and payment and try to arrive at a timely resolution.

ISSUE 4-3	LATE FEES AND/OR FINANCE CHARGES
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Results:

Prudent business practices dictate that credit card expenditures be paid in a timely manner to avoid the accumulation of late fees and/or finance charges which reduce funds available for the operation of the agency.

During the Period we noted \$534 in finance charges were incurred by Lighthouse Youth Services, Inc. (see Issue 1-1).

Delays in the processing of checks could lead to the accumulation of significant late fees which could have a negative effect on the agency's ability to meet its ongoing cash flow requirements.

Management Comment:

We recommend that Lighthouse Youth Services, Inc. monitor its cash disbursement cycle to ensure that payments are made in a timely manner in order to avoid unallowable costs such as late fees and/or finance charges.

**LIGHTHOUSE YOUTH SERVICES, INC.
SUPPLEMENT TO REPORT ON AGREED-UPON PROCEDURES**

ISSUE 4-4	ACCOUNTING POLICY ON MATCHING OF PROGRAM COSTS WITH PROGRAM REVENUES FOR ADMINISTRATIVE COST
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Results:

An agency should have accounting procedures and policies documented. This documentation should guide employees of the entity on how to perform their duties in a consistent and efficient manner and establish consistency in accounting and reporting. Moreover, approval of these policies by the Board of Trustees enables them to monitor the financial activities of the agency.

An agency should match program costs with program revenues in order to ensure that proper accountability and reporting is attained for the intended use of each specific governmental revenue source (i.e. administrative and foster care maintenance costs are charged against foster care revenues from the Title IV-E program as well as all other program revenue sources).

The following was noted during the audit:

1. The client could not provide evidence that foster care administrative costs were charged against foster care revenues.
2. There were documented accounting policies or procedures for the revenue cycle, expenditure cycle; however, there were no policies relating to the matching of program costs with program revenue sources and funds were commingled.

Management Comment:

We recommend Lighthouse Youth Services, Inc. establish policies and procedures relating to the matching of program costs with program revenues. Such accounting procedures could consist of a narrative documenting how cash receipts and cash disbursements should be documented. In particular it should describe the sources of revenues and list the type of costs that should be matched (charged) against each revenue source. Moreover, approval of this policy by the Board of Trustees enables them to more closely monitor the financial activities of the agency to ensure consistency with accounting transactions and the intended purpose of the revenue.

ISSUE 5	TEST OF INTERNAL ADMINISTRATIVE CONTROLS OVER COMPLIANCE WITH REQUIREMENTS OF THE TITLE IV-E PROGRAM AND THE OHIO ADMINISTRATIVE CODE CHAPTER 5101:2
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Objectives:

1. To identify the administrative compliance requirements of the foster care program.
2. To identify significant administrative noncompliance with the provisions of the foster care program.
3. To determine if the Family Foster Home Records, completed and maintained by the PCPA/PNA, were in compliance with applicable sections of the Ohio Administrative Code.
4. To determine whether Title IV-E maintenance funds received by Lighthouse Youth Services, Inc. were used in accordance with Social Security Act.

**LIGHTHOUSE YOUTH SERVICES, INC.
SUPPLEMENT TO REPORT ON AGREED-UPON PROCEDURES**

5. To determine whether the cost reports submitted to ODJFS by Lighthouse Youth Services, Inc. were accurate and completed in accordance with ODJFS regulations.

Procedures Performed:

1. We read the Board of Trustees minutes, listing, and organizational chart and used this information to check for conflicts of interest and self dealing transactions prohibited by compliance with Ohio Admin. Code Section 5101:2-5-08.
2. We determined whether the family foster home files were maintained in compliance with the applicable rules prescribe in Ohio Admin. Code Chapter 5101:2.
3. We determined whether the PCPA/PNA established a policy on: respite care; alternative care arrangement; residency; training and verification of income and prior childcare experience and if they were authorized and documented.
4. We compared wages paid as identified on the ODHS 2910 cost report to wages paid as identified in the payroll records.
5. We traced potential questioned cost to the cost report.

ISSUE 5-1	INCOME SUFFICIENT TO MEET THE BASIC NEEDS
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Results:

Ohio Admin. Code Section 5101:2-7-02 (D) states: “A foster care giver shall have an income sufficient to meet the basic needs of the household and to make timely payment of shelter costs, utility bills and other debts.”

Ohio Admin. Code Section 5101:2-5-20 (C)(1) provides: “An agency shall not accept an application for a family foster home certificate and approval for adoptive placement which does not contain complete and accurate information.” The Placement Agency must take steps to assure the completeness and accuracy of information on the application.

Our Review found that the Placement Agency did not provide evidence that it took adequate measures to ensure the information on family foster home applications submitted was complete and accurate. Lighthouse did not document that the applicants income was sufficient to meet the basic needs of the household in 6 of 10 of the foster home files we reviewed.

Failure to verify the completeness and accuracy of information on the Family Foster Home Application increases the risk that unsuitable applicants may be recommended and approved. In addition ODJFS had not established guidelines and standards for Placement Agencies to document their compliance with this requirement.

Management Comment:

We recommend that ODJFS establish guidelines and standards for Placement Agencies to document their compliance with the administrative rules governing the licensing of family foster homes.

**LIGHTHOUSE YOUTH SERVICES, INC.
SUPPLEMENT TO REPORT ON AGREED-UPON PROCEDURES**

ISSUE 5-2	ALTERNATIVE CARE ARRANGEMENTS
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Results:

Ohio Admin. Code Section 5101:2-7-08 (B) states, "Alternative arrangements for the care of a foster child by someone other than the foster caregiver shall be approved by the recommending agency."

Per the Foster Care Director, the Placement Agency obtained a police check, made the required notifications to the courts and documented the alternative care arrangements in the client's records. We scanned 10 files and found evidence that police checks were obtained, however, the agency did not have an official written policy for alternative care arrangements. Without an Board approved written policy, the agency may not comply with all Ohio Administrative Code regulations, and there may be inconsistencies in the authorization and approval of alternative care arrangements which could result in the child being placed in an unsafe environment.

Management Comment

ODJFS should amend its rules governing alternative care arrangements. ODJFS should establish minimum guidelines to be used by the recommending agencies to make and document decisions about alternative care agreements that minimize the foster child's exposure to risk. In addition, ODJFS should require recommending agencies to have written plans designed to ensure child safety and organizational compliance.

To better ensure protection and safety of the children when alternative arrangements are made we recommend that the agency formalize their alternative care policy in writing.

ISSUE 5-3	TITLE IV-E COST REPORT
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Results:

Three thousand, one hundred twenty-one dollars were detailed as federal questioned cost in Issue 1-1 of this report, was charged against the foster care program, and reported as allowable costs on the 1998 ODHS 2910 Purchased Family Foster Care Cost Report. Ineligible costs claimed on the cost report could result in overstated Title IV-E reimbursement per diem rates and therefore overstated federal reimbursement.

ODJFS must determine the amount of over reporting by Lighthouse and re-compute the Title IV-E per diem reimbursement rate that should have been paid to Lighthouse during the Period and reimburse HHS, ODJFS or the PCSA for any over reimbursement resulting from the overstated costs.³⁶ Failure to properly classify program costs could result in federal questioned costs and have an adverse effect on the Title IV-E rate setting process.

The 1998 audited financial statements were submitted along with the 1998 cost reports. ODJFS' failure to implement comprehensive desk reviews and field audits resulted in an unacceptable level of risk that ineligible costs could be reported and the Title IV-E reimbursement overstated.

³⁶

Pursuant to Ohio Admin. Code Section 5101:2-47-01(L).

**LIGHTHOUSE YOUTH SERVICES, INC.
SUPPLEMENT TO REPORT ON AGREED-UPON PROCEDURES**

Management Comment

ODJFS should develop and implement an effective process to detect ineligible costs reported for Title IV-E reimbursement. At a minimum, ODJFS should consider a comprehensive review of all cost reports and comparison of those cost reports to audited financial statements. Controls could be further enhanced by conducting field audits selected on a sample basis using a risked-based approach.

ISSUE 6	TEST OF MEDICAID BILLINGS
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Objective:

To determine if Medicaid billings at Lighthouse Youth Services, Inc. were properly billed to the program.

Procedures Performed:

1. We determined if billings were submitted in the correct manner to the Medicaid program by analyzing all Medicaid billings from the Family Preservation Grant for calendar year 1998. We tested documentation of hours billed for the Family Outreach Cost Reimbursement. We also researched the billing procedures between Lighthouse Youth Services, Inc. and the Hamilton County Community Mental Health Board (HCCMHB) which was replaced by Magellan.
2. We determined if Lighthouse Youth Services, Inc. received Medicaid reimbursement in compliance with Ohio Admin. Code Sections 5101:3-4-02, 5101:3-4-29(D) and 5101:3-4-29(G).

Results:

During 1998, Lighthouse Youth Services, Inc. entered into a contract with Magellan, as a 3rd party administrator for Hamilton County Community Mental Health Board (HCCMHB) to provide Medicaid services. In November 1998, Lighthouse Youth Services, Inc. estimated \$25,030 had not been reimbursed by Magellan for billed Medicaid services. The State informed Magellan that they could no longer insist that service providers not bill for Medicaid services not purchased through Magellan. Magellan's long delays in reimbursing its service providers may have caused service providers to suffer financial burdens, or use inappropriate funds while waiting for reimbursement.

During an interview with an accounting clerk at Lighthouse, she indicated Magellan's accounting system needed to be updated to better recognize and provide the necessary details for the service providers with which it contracts. Lighthouse is no longer pursuing this reimbursement from Magellan.

Management Comment:

Lighthouse's Executive Director should contact the Director of the Hamilton County Community Mental Health Board (HCCMHB) or Magellan directly with the billing information and perhaps the Program ID numbers. The program ID numbers should help distinguish Lighthouse's Medicaid services from other providers in order to collect its charges for the Medicaid services provided. Lighthouse has attempted to collect the money which was not reimbursed from Magellan. Magellan claims that it was never put in their system and that Lighthouse has no basis for their claim.

**LIGHTHOUSE YOUTH SERVICES, INC.
SUPPLEMENT TO REPORT ON AGREED-UPON PROCEDURES**

ISSUE 7	TEST OF MEDICAID SERVICES
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Objective:

To ascertain if there was proper documentation of the monitoring of the Medicaid counseling.

Procedures Performed:

1. We determined if Lighthouse Youth Services, Inc. performed the required monitoring in compliance with Ohio Admin. Code Section 5101:3-4-02.
2. We determined if services were being performed on the dates billed for by Lighthouse.
3. We determined if qualified personnel were providing the required service.
4. We determined if the required Medicaid reports were being signed by the required individual.

Results:

We found that Medicaid reimbursed services were: provided by eligible providers or services provided by non-physicians were under the direct or general supervision of a physician; and services billed and reported were documented and supported in the records.

**LIGHTHOUSE YOUTH SERVICES, INC.
SUPPLEMENT TO REPORT ON AGREED-UPON PROCEDURES**

SUMMARY OF FEDERAL QUESTIONED COSTS

JANUARY 1, 1998 - DECEMBER 31, 1998

QUESTIONED COSTS	ISSUE NUMBER	PAGE NUMBER	AMOUNT
Undocumented Check Disbursements	1-1	13	\$537
Unallowable Credit Card & Check Disbursements	1-1	13	<u>\$2,584</u>
Total Questioned Costs			<u>\$3,121</u>



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

88 East Broad Street
P.O. Box 1140
Columbus, Ohio 43216-1140
Telephone 614-466-4514
800-282-0370
Facsimile 614-466-4490

LIGHTHOUSE YOUTH SERVICES, INC.

HAMILTON COUNTY

CLERK'S CERTIFICATION

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
DECEMBER 7, 2000**