



CHILD PROTECTIVE SERVICES

THE BUCKEYE RANCH, INC.

REPORT ON AGREED-UPON PROCEDURES

JANUARY 1, 1998 THROUGH DECEMBER 31, 1998



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

**THE BUCKEYE RANCH, INC.
REPORT ON AGREED-UPON PROCEDURES**

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**THE BUCKEYE RANCH, INC.
REPORT ON AGREED-UPON PROCEDURES**

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

NAME	TITLE	TERM
BOARD OF TRUSTEES		
Barbara Lach	President	January 1 - December 31, 1998
Mark Blackburn	Vice President	January 1 - December 31, 1998
Linda Chichester	Corresponding Secretary	January 1 - December 31, 1998
Colleen Nissl	Recording Secretary	January 1 - December 31, 1998
Keith Pierce	Treasurer	January 1 - December 31, 1998
Pete Bokach	Member	January 1 - December 31, 1998
Tony Ciriaco	Member	January 1 - December 31, 1998
Millie Droste	Member	January 1 - December 31, 1998
Bruce Gifford	Member	January 1 - December 31, 1998
Daniel Jessee	Member	January 1 - December 31, 1998
Roger Kisiel	Member	January 1 - December 31, 1998
Thomas R. Lakin	Member	January 1 - December 31, 1998
George McRae	Member	January 1 - December 31, 1998
Thomas C. Ogg	Member	January 1 - December 31, 1998
Michael O'Rourke	Member	January 1 - December 31, 1998
Karen Page	Member	January 1 - December 31, 1998
Michael E. Young	Member	January 1 - December 31, 1998

**THE BUCKEYE RANCH, INC.
REPORT ON AGREED-UPON PROCEDURES**

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

NAME	TITLE	LENGTH OF SERVICE
ADMINISTRATIVE PERSONNEL		
Richard E. Rieser	Executive Director	October 1997 - Present
Debbie Riddle	Executive Director of Foster Care	September 1997 - Present
Larry Murnane	Chief Accounting Officer	August 1996 - September 2000

Agency Address

The Buckeye Ranch, Inc.
5665 Hoover Road
Grove City, Ohio 43123



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OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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Independent Accountants' Report

Thomas J. Hayes, Director
Ohio Department of Jobs and Family Services
30 East Broad Street
Columbus, Ohio 43266-0423

Dear Director Hayes:

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 The Buckeye Ranch, Inc. (Placement Agency or Buckeye Ranch) 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 Franklin County Children Services (FCCS). 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 Buckeye Ranch, Inc. 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 Franklin County Children Services (FCCS) 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 documented information, obtained through inquiry and observation, 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 expenses were properly billed to the program.

On July 19, 2002 we held an exit conference with the following:

<u>Name</u>	<u>Office/Position</u>
Rick Reiser	Buckeye Ranch, Executive Director
Sherry Orr	Buckeye Ranch, Chief Financial Officer
Tony Ciriaco	Vorys, Sater, Seymour and Pease, Attorney
Gregory W. Kelly	Auditor of State, Assistant Chief Deputy Auditor
Sam Long	Auditor of State, Assistant Auditor
Carolyn Edwards	Auditor of State, Auditor-In-Charge
Dan Shook	ODJFS, Representative

Subsequent to the post audit conference Buckeye Ranch, Inc. provided additional documentation for the costs we questioned and that documentation was considered in this report.

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

August 18, 2002

**THE BUCKEYE RANCH, INC.
SUPPLEMENT TO REPORT ON AGREED-UPON PROCEDURES**

BACKGROUND INFORMATION

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 and the Auditor of State (AOS). This memorandum formalized an agreement that ODJFS and AOS would perform investigations utilizing 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. This is the twenty-second report released of the 25 reports to be issued.

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 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 Children and Families.

At the local level, each county's public children services agencies (PCSA) or department of human services administers 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

Public Children Services Agency Contractual Requirements

Public Children Services Agencies (PCSAs) are authorized to enter into contracts with a private child placing agency (PCPA) or a private noncustodial agency (PNA) 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. Franklin County Children Services (FCCS), a PCSA, entered into such an agreement with Buckeye Ranch, Inc., a PNA.⁶

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 in Ohio Admin. Code Chapter 5101:2-47

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

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

⁶ Franklin County Children Services Foster Care Placement Services Agreement was entered into between The Buckeye Ranch, Inc. and FCCS for the period July 1, 1997 through December 31, 1998. This contract was amended first on January 4, 1999, effective January 1, 1999, to extend the terms of the contract through February 28, 1999. It was amended again on April 12, 1999, effective March 1, 1999, to extend the contract terms through April 30, 1999. Both amendments were signed by Richard Reiser, the first on behalf of Buckeye Ranch and the second on behalf of Square One for Youth, which was described as a division of Buckeye Ranch.

THE BUCKEYE RANCH, INC.
SUPPLEMENT TO REPORT ON AGREED-UPON PROCEDURES

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,⁹ and ODJFS asks that a copy of the last completed audit be submitted with the annual cost report. OMB Circular A-110 provides in pertinent part, "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 administrative costs do not include the costs of social services provided to the child, the child's family or foster family which provide counseling or treatment to ameliorate or remedy personal problems, behaviors or home conditions.¹²

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 in 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.

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 45 C.F.R. Section 1356.60(c)(1999).

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Allowable and unallowable cost guidelines for use in completing the cost reports are contained in the Ohio Administrative Code and in the 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 . . .¹³

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.¹⁴

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."¹⁵ 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.¹⁶

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 a 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 institutions 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.

¹³ 26 U.S.C. Section 501(c)(3).

¹⁴ Pursuant to the 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) (2001), respectively.

¹⁵ Prior to 5/1/98, applicable cost guidelines were contained in Ohio Admin. Code Sections 5101:2-47-63 and 5101:2-47-64.

¹⁶ 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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Reimbursement Process

Each PCSA negotiates a foster care per diem rate (which includes maintenance and administrative costs) with a PCPA/PNA for each child placed with the agency. The PCPA/PNA submits invoices to the PCSA for payment of the agreed upon foster care per diem amount. Upon payment the PCSA reports the total amount paid to all PCPAs/PNAs on the ODHS 1925 (Title IV-E) Monthly FCM Invoice and submits it to ODJFS for reimbursement. ODJFS reviews the ODHS 1925 for administrative accuracy and pays the PCSA based upon the maximum allowable reimbursement rate set by ODJFS.

ODJFS reimburses the PCSA and submits these costs to HHS for reimbursement on the Title IV-E Foster Care and Adoption Assistance Financial Report, Part I Quarterly Report of Expenditures and Estimates. The federal reimbursement is known as federal financial participation (FFP)¹⁷. In 1998, the FFP was 58% for maintenance payments¹⁸ made and 50% for administrative costs¹⁹ incurred under the Title IV-E program. HHS disburses funds to ODJFS under the state plan for foster care approved by the Secretary of HHS.

ODJFS requires each PCPA/PNA to submit a ODHS 2910 Purchased Family Foster Care Cost Report that is used to calculate the maximum allowable reimbursement rate the PCSA can receive for foster care services provided by each PCPA/PNA. However, the PCSA and PCPA/PNA may negotiate per diem payment amounts greater than the maximum allowable reimbursement rate set by ODJFS.

Although ODJFS requires the PCPAs/PNAs to report their actual program costs on the ODHS 2910 Purchased Family Foster Care Cost Report there is no verification or reconciliation performed between the costs reported to HHS and claimed for reimbursement on the Title IV-E Foster Care and Adoption Assistance Financial Report, Part I Quarterly Report of Expenditures and Estimates and the costs reported to ODJFS on the ODHS 2910 Purchased Family Foster Care Cost Reports submitted by the PCPAs/PNAs.

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 ProtectOhio.²⁰

¹⁷ 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.

¹⁸ 45 C.F.R. Section 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.

¹⁹ 45 C.F.R. Section 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.

²⁰ The authority for ODJFS to participate in this project is found in Ohio Rev. Code Section 5101.142.

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The project allows ODJFS to expand the types of services provided and increase the number of children and families served in certain demonstration counties.²¹ It pertains to 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.²²

To implement ProtectOhio, ODJFS entered into contracts with 14 counties, including an agreement on September 2, 1997, with the Franklin County Board of Commissioners and Franklin County Children Services.²³ Sections III, IV and V of this agreement describe how Title IV-E funds are to be pre-allocated to Franklin 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*, which govern allowable costs, Buckeye Ranch is bound by the terms and conditions of the placement services agreement with FCCS to provide traditional to intensive levels of foster care, teen moms, and babies of teen moms (hereinafter referred to as "The Agreement".) Purposes for which funds paid to Buckeye Ranch by FCCS may be used are outlined in the Placement Services Agreement.

Direct services and administrative cost services described below are costs deemed to be allowable under the FCCS Placement Services Agreement with Buckeye Ranch and are presumed to be included in the services and rates contained in the Placement Services Agreement.²⁴ The Placement Services Agreement states that FCCS will reimburse Buckeye Ranch to provide direct services and for the incurred administrative costs associated with providing the necessary services to the foster children in its care.

Direct services are defined as services received by children in placement or foster parents, including, but not limited to: respite, foster parent training, foster parent support services, individual, group or family counseling, mentoring, arrangement for and transportation to and from physical and medical treatment, recreational activities, day care and transportation. It does not include day treatment and alcohol and other drug treatment services.²⁵

²¹ 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).

²² Department of Health and Human Services, Administration for Children and Families, Waiver Terms and Conditions, Ohio Child Welfare Waiver Demonstration Project, Section 2 "Implementation," Paragraph 2.6.

²³ This agreement is effective by its terms from October 1, 1997, through September 30, 2002.

²⁴ Placement Services Agreement, Article II, Section D, Part 4.

²⁵ Placement Services Agreement, Article I, Section D.

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Administrative costs are defined as costs associated with the executive functions of the agency, including fiscal, information management and clerical operations and overhead and includes foster parent recruitment when applicable. It does not include direct services to clients or foster parents relating to care of the child(ren), e.g. foster parent training.²⁶

In its contract with FCCS, Buckeye Ranch agreed to “maintain such case, client, foster parent, service and financial records, books, payrolls, documents, accounting procedures and practices necessary to sufficiently and properly reflect all services provided and all direct and indirect costs of any nature expended in the performance of this Agreement.” The contract further provided: “Such records which are directly pertinent to this Agreement shall be subject to inspection, review, or audit by designated FCCS personnel, or agents.”²⁷ In addition, Buckeye Ranch, Inc. agreed that “(a)ll records relative to this Agreement including Service Plans, invoices, etc., as applicable, shall be retained for five (5) years....”²⁸

The contract also required Buckeye Ranch to “maintain certification for Title IV-E rates.”²⁹

Administration of Medicaid Services

Buckeye Ranch also receives Medicaid receipts for reimbursement of medical counseling services provided by Buckeye Ranch 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 CSW 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.

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.

²⁶ Placement Services Agreement, Article I, Section A.

²⁷ Monitoring and Records, Purchase of Services Agreement, Article III, Section B, Part 2.

²⁸ Monitoring and Records, Purchase of Services Agreement, Article III, Section B, Part 1.

²⁹ Payment, Purchase of Services Agreement, Article II, Section D, Part 6.

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OMB Circular A-133 defines questioned costs 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.”³⁰

The foster care program in Ohio is funded by 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.

Therefore when reporting questioned costs in this report we did not attempt to allocate those costs among the entities that provided the funding. We recommend that as part of the resolution of our audit findings ODJFS and the PCSAs contracting with Buckeye Ranch join together to ensure that Buckeye Ranch develops and implements a corrective action plan that will result in fiscal accountability³¹ and legal compliance³² in an expeditious manner. Based on the findings we recommend the following:

- (1) The PCSAs purchasing services from Buckeye Ranch should determine whether the findings set forth in this report constitute a breach of their contract, and if so seek an appropriate remedy.
- (2) ODJFS should assist the contracting PCSAs in seeking recovery of misspent funds by providing administrative and technical support as needed.

AGENCY INFORMATION

Buckeye Ranch is a private noncustodial agency (PNA), originally incorporated June 21, 1961 as a nonprofit organization which is exempt from federal income tax under Internal Revenue Code Section 501 (c)(3). Buckeye Ranch was licensed by ODJFS to operate a children’s residential group homes, to recommend families to become foster families, and place children in foster homes. When a county children service agency needs a home for a foster child, it can contact agencies such as Buckeye Ranch to place the child.

³⁰ Office of Management and Budget (OMB) Circular A-133, Subpart A, .105 Definitions.

³¹ In Ohio Admin. Code Section 5101:2-33-19, Penalties for Failure to Comply with Fiscal Accountability Procedures, effective 12-1-01, ODJFS has set forth the penalties that ODJFS may enforce against PCSAs, PCPAs and PNAs for the failure to comply with procedures involving fiscal accountability.

³² In Ohio Admin. Code Section 5101:2-47-23.1, Title IV-E Agency Contracting and Contract Monitoring Requirements, effective 12-1-01, ODJFS has set forth the requirements that a PCSA must establish a system of contracts and contract monitoring when purchasing foster care services.

**THE BUCKEYE RANCH, INC.
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The group of family foster homes (private foster network) utilized by Buckeye Ranch has been in place since September 1997 when Buckeye Ranch merged with Square One for Youth. Buckeye Ranch places foster children primarily for FCCS. Buckeye Ranch has also provided services to the Department of Youth Services, Licking County Juvenile Court and seven (7) other county agencies: Fayette, Hamilton, Licking, Jefferson, Montgomery, Pike, and Stark County Children Services.

Significant Related Party Organizations³³

The Buckeye Ranch Holding Company

The Buckeye Ranch Holding Company (“The Holding Company”), a non-profit organization, was incorporated September 9, 1997. The Holding Company is responsible for strategic planning for Buckeye Ranch and its other affiliated organizations. The Holding company has forty two (42) board members, two (2) of whom were on the Board of Directors for Buckeye Ranch during the period. The two (2) overlapping board members are Linda Chichester and Karen Page.

A new organizational structure of the Holding Company and its affiliate was approved by Buckeye Ranch and the Holding Company. With this change the Buckeye Ranch Holding Company, Inc. became the sole member and controlling entity of The Buckeye Ranch Foundation and Buckeye Ranch.

The Buckeye Ranch Foundation

The Buckeye Ranch Foundation, Inc. (“The Foundation”), a non-profit organization, was incorporated December 4, 1995. The Foundation is responsible for fund-raising and investing funds for Buckeye Ranch and its other affiliated organizations. The Foundation has forty-two (42) board members, two (2) of whom served on the Board of Directors for Buckeye Ranch, and two (2) on the Board of Directors for the Holding Company during the Period. The two (2) overlapping board members for Buckeye Ranch are Linda Chichester and Karen Page. The two (2) overlapping board members for the Holding Company are Jon Eesley and Charles Guttadore.

In September 1998 all of the land on which Buckeye Ranch operated was transferred to the Foundation from the Service Board. Also, the majority of the investments were transferred to the Foundation from Buckeye Ranch. The Buckeye Ranch provided administrative support and paid various administrative costs for the Foundation. For example, Buckeye Ranch paid employee salaries and other expenses on behalf of the Foundation that resulted in an Accounts Receivable balance of \$224,134 at June 30, 1998, \$327,064 at June 30, 1999, and \$613,200 at June 30, 2000 (See Issue 4-2).³⁴

The Buckeye Ranch Service Board, Inc.

The Buckeye Ranch Service Board, Inc. (“The Service Board”), a non-profit organization that was previously known as the “The Women’s Juvenile Service Board of Franklin County”, was incorporated May 23, 1956. The Service Board functioned to financially aid juvenile and groups who support the ever-expanding programs for improving juvenile conditions. The Service Board founded Buckeye Ranch and assisted in its fund-raising campaigns and managing special events. The Service Board has sixteen (16) board members. None of these members were Board members of the Buckeye Ranch, the Foundation, or the Holding Company.

³³ Per FASB Statement of Standards, Appendix B, related party transactions are transactions between principal owners of the enterprise; its management; members of the immediate families of principal owners of the enterprise and its management; and other parties with which the enterprise may deal if one party controls or can significantly influence the management or operating policies of the other to an extent that one of the transacting parties might be prevented from fully pursuing its own separate interests.

³⁴ Based on audited financial statements and a detailed breakdown of the accounts receivable balance provided by Sherri Orr, CFO for the periods ending June 30, 1998, June 30, 1999, and June 30, 2000.

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Also, in September of 1998 all of the land on which Buckeye Ranch operated was transferred to the Foundation from the Service Board.

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
Buckeye Ranch
Foster Care Statistics**

Characteristic	Statistic
Daily Average Number of Children in Placement	217
Number of Active Licensed Foster Homes	125
Average Per Diem Rate	\$53
Number of PCSAs from Which Agency Receives Children	8
Required Training for Foster Caregiver Orientation	20 hours
Required Annual Training for Foster Caregiver ³⁵	36 hours
Expenditures Reported per the Title IV-E Purchased Family Foster Care Cost Reports	\$ 4,443,980
Characteristics of Children Placed by Agency	Traditional to Level 5 of care (High risk)

During the Period, Buckeye Ranch's staff consisted of 42 employees, that provided foster care services including foster care supervisors, foster care case managers, licensing specialists, a secretary, transporters, transporter assistants, transporter supervisor, and social workers to provide the needed counseling and case management services to the foster children and foster parents. An additional 41 employees made up the indirect management, and accounting staff for a total of 83 employees.

Buckeye Ranch revenues were comprised primarily of funds from FCCS. The total foster care and residential revenues received by Buckeye Ranch from FCCS during the Period was \$6,991,813.

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 source³⁶.

³⁵ The required annual training for the primary and secondary caregivers are 36 and 12 hours, respectively.

³⁶ The sources of revenue on this table are based on the accrual basis of accounting.

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**Table II
Buckeye Ranch
Revenue by Source**

	1998	Percent of Total Revenue
Franklin County Children Services	\$6,991,813	46%
Tuition Revenue	2,666,519	17
Medicaid	1,505,010	10
ADAMH Revenue	1,204,748	8
HI Block Grant	911,796	6
FCF Revenue	851,544	6
Printing, Workshop, and Engraving Sales	347,604	2
United Way	192,613	1
Interest Income	102,273	0.6
Meal Rebates	75,936	0.5
Other Income	453,929	2.9
Totals	<u><u>\$15,303,785</u></u>	<u><u>100%</u></u>

Relevant Individuals

Rick Rieser

Mr. Rieser has served as the Executive Director of Buckeye Ranch since October 22, 1997.

Larry Murnane

Mr. Murnane served as the Chief Accounting Officer of Buckeye Ranch from August 5, 1996 through August of 2000.

Sherri Orr

Ms. Orr was appointed as the Chief Financial Officer of Buckeye Ranch effective July 28, 2000.

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Les Bostic

Mr. Bostic served as the Executive Director of Buckeye Ranch from June of 1961 until October of 1997 when Rick Rieser took over this position. Mr. Bostic assisted Rick Rieser during a transitional period and worked for the Foundation and assisted in fund-raising activities.³⁷ Mr. Bostic formally retired from the Buckeye Ranch on September 1, 1998. Starting January 1, 1999 Buckeye Ranch contracted with Mr. Bostic to serve in the capacity of President of the Buckeye Ranch Foundation and began making retirement payments for his service at Buckeye Ranch. (See Issue 1-3).

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 Buckeye Ranch 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 did not appear reasonable considering: the nature of business or the vendor; high dollar amounts; checks payable to the staff or foster parents or payments that appeared to be 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 Buckeye Ranch 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.

³⁷

The Buckeye Ranch, Board of Trustees minutes dated September 10, 1997.

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7. For selected credit card expenditures which did not appear reasonable considering: the nature of business or the vendor; high dollar amounts; charges related to the staff or foster parents or expenditures that appeared to be 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 documentation supporting all building lease or mortgage payments to determine property ownership, previous ownership and relationship between current and previous owners and Buckeye Ranch.

ISSUE 1-1	CHECK AND CREDIT CARD DISBURSEMENTS NOT ALLOWED OR WHICH LACKED SUPPORTING DOCUMENTATION REQUIRED UNDER FEDERAL COST PRINCIPLES AND THE FCCS CONTRACT.
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Results:

Office of Management and Budget (OMB) Circular A-122 “Cost Principles of Non-Profit Organizations,” requires that for a cost to be allowable, it must, among other factors be reasonable and adequately documented.³⁸

The Circular further provides: “...The question of reasonableness of specific costs must be scrutinized with particular care in connection with organizations or separate divisions which receive the preponderance of their support from awards. In determining the reasonableness of a given cost, consideration shall be given to: a) whether the cost is of a type generally recognized as ordinary and necessary for the operation of the organization or the performance of the award, b) the restraints or requirements imposed by such factors are generally accepted sound business practices, arms length bargaining . . . c) whether the individuals concerned acted with prudence in the circumstances, considering their responsibilities to the organization, its members, employees, and clients, the public at large . . .”³⁹

Article III, Section B, Part 2 of the FCCS contract states in pertinent part that Buckeye Ranch “shall maintain such case, client, foster parent, service and financial records, books, payrolls, documents, accounting procedures and practices necessary to sufficiently and properly reflect all services provided and all direct and indirect costs of any nature expended in the performance of this Agreement...” Furthermore, Section B, Part 1 of the FCCS contracts states in pertinent part that “All records relative to this Agreement including Service Plans, invoices, etc., as applicable, shall be retained for (5) years.”

We inspected credit card expenditures totaling \$213,491 in charges. We requested invoices and/or receipts for these expenditures, authorization by the board or responsible party, and an explanation of how the expenditure provided a benefit to the program or was necessary to the operation of the foster care program. Buckeye Ranch was unable to provide us with invoices and/or receipts as requested for 66 credit card transactions totaling \$3,283 as required by the FCCS contract and by failing to document these expenditures was in direct violation of OMB Circular A-122, Attachment A(2)(a) and (g).

³⁸ Office of Management and Budget (OMB) Circular A-122 “Cost Principles of Non-Profit Organizations,” Attachment A, Paragraph A (2)(a) and (g).

³⁹ OMB Circular A-122, Attachment A, Paragraph (A)(3)(a) through (c).

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We inspected six hundred sixty-five (665) check disbursements totaling \$1,500,110 in charges. We requested invoices and/or receipts for these expenditures, authorization by the board or responsible party, and an explanation of how the expenditure provided a benefit to the program or was necessary to the operation of the foster care program. Buckeye Ranch was unable to provide us with invoices and/or receipts as requested for 8 transactions totaling \$6,700 as required by the FCCS contract and was in direct violation of OMB Circular A-122, Attachment A(2)(a) and (g).

During and subsequent to our fieldwork Buckeye Ranch attempted to respond and/or provide documentation for the costs we questioned. However, for those costs listed in Table III as undocumented expenditures, Buckeye Ranch was unable to demonstrate its compliance with the relevant sections of its contract with FCCS and OMB Circular A-122.

**Table III
Buckeye Ranch
Questioned Costs**

Undocumented Expenditures	
Credit Card Expenditures	
Abbott Magic	\$38
Apple Transportation	40
Bath & Body Works	29
Big Bear	14
Bob Evans	51
Café Courier	53
Casa Fiesta	61
Chevron	14
Chinese Village Restaurant	31
Costume Specialists	66
Courtyard Café	50
Cracker Barrel Store	14
Dairy Mart	37
Damon's	108
Ford Flowers	208
French Market Buffet	9
Gibby's	47
Gottlieb's	171
Great Western	46
Inquiring Minds	58
Kmart	135
Kroger	141
North American Windows	149
Odd Lots	149
Play it Again Sports	61
Ponderosa Steakhouse	42
Radio Shack	120

**THE BUCKEYE RANCH, INC.
SUPPLEMENT TO REPORT ON AGREED-UPON PROCEDURES**

**Table III
Buckeye Ranch
Questioned Costs**

Reimbursement for employee personal credit card payment	48
Schottenstein's	548
Sun TV Outlet	85
Sunoco	55
Tandy Leather	13
Target	265
The Andersons	73
Tom Thumb Hobbies	55
Walmart	128
Yankee Trader	71
Total Undocumented Credit Card Expenditures	3,283
Check Disbursements	
A Matter of Taste Catering	443
Dan's Family Pizza	19
EAB Mastercard	1,940
Ford Flowers	82
International Alliance of Theatrical	166
James Gover-Administrator Square One for Youth Foster Care	3,800
Marie Lang	150
Marilyn Clay	100
Total Undocumented Check Disbursements	6,700
Total Undocumented Expenditures	\$9,983

Additionally, 93 check disbursements totaling \$24,027 and 111 credit card transactions totaling \$6,718 were not allowable direct services and administrative costs under the FCCS contract and OMB Circular A-122. These improper expenditures consisted of finance charges, staff incentives, employee gifts, membership dues, promotional items, and flowers for employees. Total unallowed expenditures totaled to \$30,745.

- Two credit card transactions totaling \$234 and 11 check disbursements totaling \$6,429 for employee parties, employee retirement dinners and parties, and a holiday party were unallowable under OMB Circular A-122, Attachment B, Paragraph 14 which states in pertinent part: "Costs of amusement, diversion, social activities, ceremonials, and costs relating thereto, such as meals lodging rentals, transportation, and gratuities are unallowable." The agency's reporting of these expenditures on its ODHS 2910 Purchased Family Foster Care Cost Report was also in violation of Ohio Admin. Code Section 5101:2-47-26(A)(7), which generally disallows the reporting of "Entertainment costs for amusements, social activities, and related costs for staff only."⁴⁰ Unallowed entertainment costs totaled \$6,663.

⁴⁰

Prior to 5/1/98, this rule was stated in Ohio Admin. Code Section 5101:2-47-64(G).

**THE BUCKEYE RANCH, INC.
SUPPLEMENT TO REPORT ON AGREED-UPON PROCEDURES**

2. Thirty (30) credit card transactions totaling \$4,882 and forty six (46) check disbursements totaling \$9,818 for rewards, flowers, and gift certificates for employees were in violation of OMB Circular A-122, Attachment B, Paragraph 18 which states, "Costs of goods or services for personal use of the organization's employees are unallowable regardless of whether the cost is reported as taxable income to the employees." The agency's reporting of these expenditures on its ODHS 2910 Purchased Family Foster Care Cost Report was also in violation of Ohio Admin. Code Section 5101:2-47-26(A)(7), which disallows the reporting of "Entertainment costs for amusements, social activities, and related costs for staff only." Unallowed costs for personal use totaled \$14,700.

3. Twenty-eight (28) check disbursements transactions totaling \$7,461 for rotary club dues, athletic club fees, and capital club membership dues were in violation of OMB Circular A-122, Attachment B, Paragraph 30(d), also provides: "Costs of membership in any civic or community organization are allowable with prior approval by the Federal cognizant agency." Buckeye Ranch did not obtain prior approval. Paragraph 30(e), also provides: "Costs of membership in any country club or social or dining club or organization are unallowable." The agency's reporting of these expenditures on its ODHS 2910 Purchased Family Foster Care Cost Report was also in violation of Ohio Admin. Code Section 5101:2-47-26(A)(7), which disallows the reporting of "Entertainment costs for amusements, social activities, and related costs for staff only." Unallowed membership/club costs totaled \$7,461.

4. Seventy nine (79) credit card transactions totaling \$1,602 and one check disbursement of \$319 for finance charges, late fees, and service charges were unallowable under OMB Circular A-122, Attachment B, Paragraph 23(a)(1) which states in pertinent part: "Costs incurred for interest on borrowed capital or temporary use of endowment funds, however represented, are unallowable..." The agency's reporting of these expenditures on its ODHS 2910 Purchased Family Foster Care Cost Report was also in violation of Ohio Admin. Code Section 5101:2-47-26(A)(9), which generally disallows the reporting of "Costs incurred for interest on borrowed capital..."⁴¹ Unallowed costs for interest totaled \$1,921.

**Table IV
Buckeye Ranch
Questioned Costs**

Unallowed Expenditures

Unallowed Entertainment Costs

Fox Fire Golf Club - employee golf outing	\$200
Kmart-Holiday Party Supplies	34
Afton & Vikki Stone King - Reimbursement of expenses for employee's retirement	285
Big Star Karaoke - Holiday party expense	175
Discover Card - Reimbursement of expenses for employee retirement dinner	171
Kroger - employee going away party	19
Papa John's Pizza - staff luncheon	67
Donatos - staff pizza party	26
Gala Events Southwest - Holiday party expense	5,332

⁴¹ Prior to 5/1/98, Ohio Admin. Code Section 5101:2-47-64(I) prohibited, among other things, "interest on borrowings."

**THE BUCKEYE RANCH, INC.
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**Table IV
Buckeye Ranch
Questioned Costs**

Robins Wine & Spirits - Celebration of opening of Equestrian Center	204
Venita Hartley - Reimbursement of expenses for staff Christmas party	150
	6,663
Unallowed Costs for Personal Use	
A.J. Cheers- employee reward	7
Bexley's Monk - employee reward	65
Bridenbaugh Flower Shop-employee flowers	55
Columbus Brewing Company - employee rewards	173
Damon's -employee birthday present	50
Damon's - staff gift certificates	160
Day Star - Video phones for Les Bostic's personal home	1,424
Evans Floral Shop - Volunteers Gifts	63
Fit to a Tee - employee reward	18
Fox Fire Golf Club - employee gifts	11
Gottlieb's - employee rewards	122
Graceland Hobbyland- gift for retiring employee	148
Granville Inn Restaurant-employee rewards	223
Indian Mound Mall - employee gift certificates	150
JCPenney - Anniversary Clocks for staff	1,160
Kroger- employee reward	33
Lazarus-employee gift certificate	30
Lone Star Steakhouse - employee reward	77
Max & Erma's - employee gift certificates	50
Mon Ami - staff appreciation dinner	462
Radio Shack - Modulator for Les Bostic's video phone	110
Roxainne's Flower's & Gifts- employee flowers	19
Successories - employee reward	65
Sue Ann's Hallmark Shop - employee gift	6
Walmart - employee gift certificates	100
Wildflower Florist - employee flowers	101
Community Benefits Initiative - volunteer gifts	115
Community Benefits Initiative - employee rewards	229
Damon's - Employee gift certificates	5,400
Evans Floral - employee flowers	142
Ford Flowers - employee flowers	344
Gift Baskets by Hare Hollow - employee gifts	427
Gottlieb's - employee gift certificates	625
Granville Inn - employee retirement dinner	50

**THE BUCKEYE RANCH, INC.
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**Table IV
Buckeye Ranch
Questioned Costs**

Indian Mound Mall - employee gift certificates	180
John Edward Price Flowers - employee flowers	182
Employee reward	185
Mary Spain - employee wedding gift	72
Montana Mining Co. - employee gift certificates	120
Petty Cash - employee rewards and retirement dinner	634
Roxainne's Flowers & Gifts - employee flowers	1,113
	14,700
 Unallowed Membership/Club Costs	
Athletic Club of Columbus - Membership dues, food, related activities	5,029
Capital Club -Membership dues	1,270
National Football Foundation -Membership dues	40
Rotary Club of Columbus - Membership dues	1,122
	7,461
 Unallowed Costs for Interest	
Service Charges	250
Finance Charges	1,136
Late Fees	216
Late Fee on Office Building-J Terry Evans	319
	1,921
 Total Unallowed Expenditures	\$30,745

During the audit period Buckeye Ranch received more than 76% of its revenues from residential care, foster care and medicaid services. Approximately 24% percent of its revenue came from state grants, interest income, and other miscellaneous revenues. The expenditure of the funds it received for residential, foster care,⁴² and medicaid services are subject to the terms and conditions of its contracts with county agencies. Furthermore, these programs received Federal Financial Participation (FFP) through cost reimbursement. Therefore, the cost charged against programs, both the federal portion as well as the state or local match, are subject to Office of Management and Budget (OMB) Circular A-122 "Cost Principles for Non-Profit Organizations." Buckeye Ranch's accounting system could not clearly provide documentation whether the source of funds expended were from funds subject to contract provisions and OMB Circular A-122 or donations and fund-raising.

⁴² Purchase of Services Agreement Amendment, dated 6/2/99.

**THE BUCKEYE RANCH, INC.
SUPPLEMENT TO REPORT ON AGREED-UPON PROCEDURES**

Federal Questioned Costs: \$40,728

The reimbursement claims submitted on the ODHS 1925 (Title IV-E) Monthly FCM Invoice by PCSAs contracting with Buckeye Ranch for foster care services included the \$40,728 in expenditures detailed in Tables III and IV. Buckeye Ranch was unable to provide documentation to adequately demonstrate the programmatic purposes of \$9,983 of those expenditures as required by Article III, Section B, Part 2 of its contract with FCCS and OMB Circular A-122.⁴³

The remaining \$30,745 of those expenditures were unallowable costs as a result of violating OMB Circular A-122 Attachment B, Paragraphs 14, 18, 23a(1), and 30(e) and Ohio Admin. Code Sections 5101:2-47-26(A)(7) and (9). Federal questioned costs totaled \$40,728.

Buckeye Ranch included \$11,815 of these expenditures on the ODHS 2910 Purchased Family Foster Care Cost Reports and ODHS 2909 Residential Child Care Facility Cost Reports. The Placement Agency's records were not sufficient to determine if the remaining costs were included on the related cost reports. As a result, these unallowed expenditures may have caused the overstatement of the Title IV-E maximum reimbursement rate and the overpayment of reimbursements claimed.

Management Comment:

Franklin County Children's Services should require the agencies, with which it contracts for placement services, to obtain and submit to FCCS an annual financial audit performed in accordance with government auditing standards. In addition, to the independent auditor's report on the financial statements, professional standards would require the auditor to report on the Placement Agency's compliance with laws and regulations and on internal controls. FCCS should review these reports and follow up on any exceptions reported. FCCS did not have such requirements and as a result, annual audited financial statements and a report on internal controls were not submitted to FCCS during the Period.

Furthermore, all PCSAs purchasing services from the Placement Agency should determine whether the federal questioned costs set forth in this issue constitutes a breach of any contract or agreement it may have with Buckeye Ranch and if so seek appropriate remedy. ODJFS should assist the PCSA's in seeking recovery of the misspent funds by providing administrative and technical support as needed.

ISSUE 1-2	SELF INSURANCE
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Results:

Office of Management and Budget (OMB) Circular A-122 "Cost Principles of Non-Profit Organizations," requires that for a cost to be allowable, it must, among other factors be reasonable.⁴⁴

⁴³ Office of Management and Budget (OMB) Circular A-122 "Cost Principles for Non-Profit Organizations," Attachment A, Paragraph A (2)(a) and (g) and (3)(a) through (c).

⁴⁴ Office of Management and Budget (OMB) Circular A-122 "Cost Principles of Non-Profit Organizations," Attachment A, Paragraph A (2)(a).

**THE BUCKEYE RANCH, INC.
SUPPLEMENT TO REPORT ON AGREED-UPON PROCEDURES**

Further, OMB Circular A-122 “Cost Principles of Non-Profit Organizations”, Attachment A, Paragraph A (3)(a)-(c) states “...The question of reasonableness of specific costs must be scrutinized with particular care in connection with organizations or separate divisions which receive the preponderance of their support from awards. In determining the reasonableness of a given cost, consideration shall be given to: a) whether the cost is of a type generally recognized as ordinary and necessary for the operation of the organization or the performance of the award. b) the restraints or requirements imposed by such factors are generally accepted sound business practices, arms length bargaining.... c) whether the individuals concerned acted with prudence in the circumstances, considering their responsibilities to the organization, its members, employees], and clients, the public at large. . .”

Ohio Admin. Code Section 5101:2-47-26(A)(6), generally disallows the reporting of “Contributions, donations, or any outlay of cash with no prospective benefit to the facility or program.”⁴⁵

During the audit period we noted the following:

- We read the audited financial statements and found Buckeye Ranch provided employee health and dental insurance through a self-insurance program. The plan was administered by a third party Avalon Benefit Services during the Period.
- We examined the administrator’s monthly benefit invoices and found Buckeye Ranch paid for the self insurance costs of 3.5 full time equivalent employees of the Buckeye Ranch Foundation, Inc. We confirmed through management that Buckeye Ranch was not reimbursed by the Buckeye Ranch Foundation, Inc. for the self insurance costs paid on behalf of its employees.
- The agency offered and charged \$42 for single coverage per month and \$74 for family coverage per month in administrative costs. We confirmed through management that the Foundation employees elected family coverage. Due to privacy considerations we were not able to obtain the cost of claims paid for the Foundation employees.

Calculation of Questioned Costs:

We calculated the questioned costs as illustrated below:

Number of full-time equivalent employees of the Foundation	3.5
Monthly rate for family coverage per employee	X <u>\$74</u>
Monthly administrative self insurance cost for Foundation employees	\$259
	X <u>12 months</u>
Yearly estimate of administrative self insurance cost for Foundation employees	<u>\$3,108</u>

⁴⁵

Prior to 5/1/98, this rule was stated in Ohio Admin. Code Section 5101:2-47-64(F).

**THE BUCKEYE RANCH, INC.
SUPPLEMENT TO REPORT ON AGREED-UPON PROCEDURES**

Federal Questioned Costs: \$3,108

The reimbursement claims submitted on the ODHS 1925 (Title IV-E) Monthly FCM Invoice by PCSAs contracting with Buckeye Ranch for foster care services included the \$3,108 in expenditures. These expenditures were unallowable costs as a result of violating OMB Circular A-122 Attachment A, Paragraph A(2)(a) as defined in Paragraph (3)(a)-(c), and Ohio Admin. Code Section 5101:2-47-26(A)(6). We asked for documentation to determine how much of the \$3,108 was included on the ODHS 2910 Purchased Family Foster Care Cost Reports and ODHS 2909 Residential Child Care Facility Cost Reports but none was provided. If included on the cost reports, these unallowed expenditures may have caused the overstatement of the Title IV-E maximum reimbursement rate and the overpayment of reimbursements claimed. Federal questioned costs totaled \$3,108.

Management Comment:

We recommend that Buckeye Ranch establish accounting policies and procedures that equitably and accurately allocate program costs for fringe benefits, as well as other shared expenses, to the correct organization. It is further recommended that management periodically monitor the allocation of program costs for continuous compliance.

Furthermore, all PCSAs purchasing services from the Placement Agency should determine whether the federal questioned costs set forth in this issue constitutes a breach of any contract or agreement it may have with Buckeye Ranch and if so seek appropriate remedy. ODJFS should assist the PCSA's in seeking recovery of the misspent funds by providing administrative and technical support as needed.

ISSUE 1-3	DISTRIBUTION OF EARNINGS IN EXCESS OF COST (NET EARNINGS)
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Results:

When determining the allowability of cost as compensation for personal services, Office of Management and Budget (OMB) Circular A-122 "Cost Principles of Non-Profit Organizations," Attachment B, Paragraph 7(d) states in pertinent part: "Certain conditions require special consideration and possible limitations in determining costs under Federal awards where amounts or types of compensation appear unreasonable. Among such considerations are the following: (1) Compensation to members of non-profit organizations, trustees, directors, associates, officers, or the immediate families thereof. Determination should be made that such compensation is reasonable for the actual personal services rendered rather than a distribution of earnings in excess of costs.

(2) Any change in an organization's compensation policy resulting in a substantial increase in the organization's level of compensation, particularly when it was concurrent with an increase in the ration of Federal awards to other activities of the organization or any change in the treatment of allowability of specific types of compensation due to changes in Federal policy."

Ohio Admin. Code Section 5101:2-47-26(A)(6) states in pertinent part that the following costs are unallowable in completing the ODHS 2910 Purchased Family Foster Care Cost Report: "Contributions, donations, or any outlay of cash with no prospective benefit to the facility or program."

During the audit period we noted the following:

- On November 16, 1988 Les Bostic, Executive Director entered into an agreement with Buckeye Ranch to establish a tax deferred annuity with an initial contribution of \$28,000. This agreement also required Buckeye Ranch to make additional annual employer contributions of \$14,000 to the annuity thereafter to fund a fixed annual benefit of \$27,000 payable to Les Bostic at age 65.

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- A second agreement was entered into nine months prior to Mr. Bostic ending 36 years of employment with Buckeye Ranch. On January 22, 1997 Les Bostic, Executive Director entered into another retirement agreement with Buckeye Ranch, that superseded the 1988 agreement, and increased his fixed annual benefit payable upon his retirement to \$44,000, a \$17,000 annual increase. This second agreement was entered into eight months prior to the addition of the foster care program in September of 1997, when Buckeye Ranch merged with Square One for Youth.
- During our review of the audited financial statements the total estimated liability to cover Les Bostic's retirement agreement was \$459,000 at June 30, 1998 while the value of the tax deferred annuities was only \$355,255 for a shortfall of \$103,745.
- Les Bostic retired on September 1, 1998 at age 65 and received a retirement payment of \$44,000 in January of 1999 and 2000.
- On March 27, 2002 the CFO stated the payments to Les Bostic in January of 1999 and 2000 were disbursed from current revenues and not out of the accumulated assets set aside as a tax deferred annuity for Les Bostic's retirement. In addition, an attorney for the Buckeye Ranch, stated the retirement payments were paid out of current revenues due to the favorable rate of return the Buckeye Ranch was receiving from the tax deferred annuities.

These payments disbursed from current revenues, included medicaid, residential services, foster care, and other grants, and were a distribution of earnings in excess of costs and unallowable in accordance with OMB Circular A-122, Attachment B, Paragraph 7(d). Federal questioned costs totaled \$88,000.

Federal Questioned Costs: \$88,000

The reimbursement claims submitted on the ODHS 1925 (Title IV-E) Monthly FCM Invoice by PCSAs contracting with Buckeye Ranch for foster care services included the \$88,000 in expenditures. These expenditures were unallowable costs as a result of violating OMB Circular A-122, Attachment B, Paragraph 7(d) and Ohio Admin. Code Section 5101:2-47-26(A)(6). Buckeye Ranch included \$23,221 of this amount on the ODHS 2910 Purchased Family Foster Care Cost Reports and ODHS 2909 Residential Child Care Facility Cost Reports, as a result, these unallowed expenditures may have caused the overstatement of the Title IV-E maximum reimbursement rate and the overpayment of reimbursements claimed.

Management Comment:

The Buckeye Ranch should ensure that future annual retirement payments to Mr. Bostic are paid from the tax deferred annuity account which was established and contributed to by the Buckeye Ranch for that purpose. Additionally, we recommend that ODJFS follow up on the federal questioned costs of \$88,000 that were inappropriately charged to the foster care program.

Furthermore, all PCSAs purchasing services from the Placement Agency should determine whether the federal questioned costs set forth in this issue constitutes a breach of any contract or agreement it may have with Buckeye Ranch and if so seek appropriate remedy. ODJFS should assist the PCSA's in seeking recovery of the misspent funds by providing administrative and technical support as needed.

**THE BUCKEYE RANCH, INC.
SUPPLEMENT TO REPORT ON AGREED-UPON PROCEDURES**

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 Buckeye Ranch for the Period were properly deposited and recorded in the accounting records of the Placement Agency.

Procedures Performed:

1. We determined the types of revenue that Buckeye Ranch 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 Franklin County Auditor to determine the completeness of receipts received and deposited for fees for services.
4. We tested a sample of 10% of the monthly billings by the Placement Agency to the FCCS 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 Buckeye Ranch received as: program service fees from various counties and donations. We obtained documentation from the County Auditor to determine the completeness of the receipts from the FCCS. Furthermore, we determined that all FCCS disbursements to Buckeye Ranch 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 Buckeye Ranch 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 from the Franklin County Auditor a vendor payment history report for Buckeye Ranch for the same period and traced these payments to the invoices submitted by Buckeye Ranch.
2. We selected a representative sample of children identified by FCCS as Title IV-E eligible children being serviced by Buckeye Ranch.
3. We found the child's name on the appropriate month's FCCS vendor invoice report. We documented the amount of maintenance that would have been paid for each child.

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4. We compared payments received by Buckeye Ranch from FCCS to the corresponding Buckeye Ranch billing in the month selected for each child in the sample.
5. We obtained the contracts or per diem agreements between Buckeye Ranch 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 Buckeye Ranch and FCCS and between Buckeye Ranch and foster caregivers.
7. We compared Buckeye Ranch's per diem paid to the foster parents with the corresponding per diem it received from FCCS 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 Franklin County Childrens Services (FCCS) to Buckeye Ranch for a sample of 421 foster children, 383 were eligible for Title IV-E reimbursement. The payments to the Placement Agency for the 383 children totaled \$528,932. We noted that the Placement Agency received the correct per diem rates noted in the FCCS contract.

The foster parents in the sample (383) received \$267,450. We noted that these foster parents received the correct per diem rates in accordance with the Board approved rates. Of the \$528,932 received from FCCS by the Placement Agency the foster parents received \$267,450 or 50% of the total funds and the Placement Agency made direct maintenance purchases of \$14,885 or 3% for clothing vouchers. The remaining \$246,597 or 47% was retained by Buckeye Ranch and used for administrative costs, 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	MANAGING CHANGES TO RATES AND PER DIEM AGREEMENTS
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Results

Per diem agreements between a 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 occur (increases or decreases in the assessed level of care rate which effects the amount paid to foster parents).

Foster parents working with Buckeye Ranch received a per diem agreement at the initial placement of a child in their home. While changes in the level of care were recorded in the family foster home files, no per diem agreement amendments were prepared for approval by Buckeye Ranch or for the individual foster parent. During our testing it appeared that the foster parents were receiving one rate for the care of the child for the entire duration of the child's placement, when in fact there could have been several rate changes during the period.

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Management Comment:

New per diem agreements with foster parents 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.

ISSUE 3-3	ENTRANCE AND EXIT DATES OF PLACEMENT
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Results:

Accurate accounting for the dates a child enters and exits the care of a PCPA/PNA is necessary to ensure the child is continuously maintained in a safe environment, providing documentary evidence in the event of litigation, and calculating payments due to the PCPA/PNA.

We compared 421 placement dates of foster children recorded by FCCS and Buckeye Ranch and found 67 (16%) of the dates did not agree. Inaccurate information about the dates children entered and exit the care of a PCPA/PNA could result in inappropriate administrative decisions and incorrect payments to the PCPA/PNA.

Management Comment:

ODJFS should make the necessary procedural and programming changes to the Family and Children Services Information System (FACSIS) that would ensure the integrity of data needed by the PCPA/PNAs to manage the foster care program and accurately reflect placement dates.

We also recommend a system be developed and implemented that would integrate all placement information into a complete, accurate, and easily accessible database. In addition, we recommend that FCCS and the PCPA/PNAs review the process of recording the date children enter and exit the PCPA/PNA to find the most effective and efficient process.

ISSUE 4	TEST OF INTERNAL CONTROLS
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Objectives:

1. To identify 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 noncompliance, and increase fiscal accountability.

Procedures Performed:

1. We read the Board of Trustees' minutes, personnel records, and organizational chart to identify potential conflicts of interest and self dealing transactions that could result in noncompliance with Ohio Admin. Code Section 5101:2-5-08.
2. We completed a review of internal controls, and identified weaknesses that existed in the accounting cycle.

THE BUCKEYE RANCH, INC.
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3. We documented information, obtained through inquiry and observation, 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	RECORDS RETENTION
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Results:

An agency's assets should be safeguarded and accounted for to prevent unauthorized expenditures and theft. The Buckeye Ranch policy for the Safeguarding of Assets states, in pertinent part, "Custodial accountability and physical safeguards are maintained by the department of the organization responsible for those assets." With respect to the retention of credit card logs the Buckeye Ranch's policy for Credit Card Purchases states, in pertinent part, "Those individuals using the Ranch credit cards must have the cards signed out as to date and time. The same procedure is followed in returning the cards."

Furthermore, Article III, Section B, Paragraph 1 of the FCCS contracts states in pertinent part that "All records relative to this Agreement including Service Plans, invoices, etc., as applicable, shall be retained for (5) years."

During our testing of the check disbursements and credit card expenditures we asked for documentation for thirty-one (31) voided checks and for credit card logs showing the authorization for use of an agency credit card.

The documentation could not be located. In addition, supporting documentation for 66 credit card transactions totaling \$3,283 and 8 check disbursements totaling \$6,700 could not be located (See Issue 1-1).

Failure to adequately control all checks and agency credit cards exposed Buckeye Ranch to the risk that theft or unauthorized expenditures could occur and go undetected. Finally, the lack of documentation of the individuals approved to use company credit cards is a weakness in the custodial accountability of assets and could lead to the misappropriation of the Placement Agency's assets by unidentified employees.

Management Comment:

Buckeye Ranch should follow its policies and procedures for the safeguarding and accountability of all assets including cash, checks, and the use of agency credit cards. Credit card logs should be maintained to support the custodial accountability of credit card expenditures. Additionally, Buckeye Ranch should ensure all documentation for agency expenditures is maintained for a period of five years in compliance with the FCCS contract.

ISSUE 4-2	UNTIMELY COLLECTIONS OF INTER-COMPANY RECEIVABLE
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Results:

Accounts receivable should be collected in a timely manner in order to meet the ongoing cash flow needs of the Agency.

We noted the following during the audit:

- During our review of the audited financial statements for the period ending June 30, 1998 and a detailed breakdown of the accounts receivable balance we found Buckeye Ranch was owed \$224,134 by the Foundation for the payment of Foundation employee salaries and various other expenses.
- The receivable balance at June 30, 1999 and June 30, 2000 was \$327,064 and \$613,200, respectively.

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- During the course of the audit, \$643,659 was paid by the Foundation for the outstanding inter-company receivable. Payments were made on August 10, 2000 and November 27, 2000 in the amounts of \$491,021 and \$152,638, respectively to pay off the balance owed at that time.
- Buckeye Ranch did not charge the Foundation interest on the unpaid balance during this two year period.

Delays in reconciling accounts receivables, preparing aging schedules, and collecting outstanding balances in a timely manner could hurt the ability of the Placement Agency to meet its ongoing obligations and/or its ability to generate interest income.

Per discussion with the CFO the inter-company receivable and/or payable are currently being reconciled and paid off quarterly.

Management Comment:

We recommend that Buckeye Ranch establish accounting policies and procedures to ensure collection of accounts receivable in a timely manner. It is further recommended that management periodically monitor for continuous compliance.

ISSUE 5	TEST OF INTERNAL ADMINISTRATIVE CONTROLS OVER COMPLIANCE WITH REQUIREMENTS OF THE TITLE IV-E PROGRAM AND 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 the ODHS 2910 Purchased Family Foster Care Cost Report(s) submitted to ODJFS by Buckeye Ranch was accurate and completed in accordance with ODJFS regulations.

Procedures Performed:

1. We read the Board of Trustees' minutes, personnel records, and organizational chart to identify potential conflicts of interest and self dealing transactions that could result in non-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 prescribed 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 a policy was authorized and documented.
4. We compared wages paid as identified on the ODHS 2910 Purchased Family Foster Care Cost Report(s) to wages paid as identified on the Placement Agency's quarterly 941s or W-3 report.
5. We traced potential questioned costs to the cost report.

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ISSUE 5-1	COMPLETE AND ACCURATE INFORMATION ON APPLICATIONS
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Results:

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 Buckeye Ranch (Square One for Youth) did not verify the foster parent's employment and income in six out of thirteen (46%) family foster home files 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.

ISSUE 5-2	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."

Our review found that Buckeye Ranch (Square One for Youth) documented that the applicant's income was not sufficient to meet the basic needs of the household in two out of thirteen (15%) family foster home files reviewed.

Recommending foster parent applicants who do not have an income sufficient to meet the basic needs of the household increases the risk that unsuitable applicants may be recommended and approved.

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.

**THE BUCKEYE RANCH, INC.
SUPPLEMENT TO REPORT ON AGREED-UPON PROCEDURES**

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

One hundred thirty one thousand eight hundred and thirty six dollars (\$131,836) detailed as a federal questioned cost in Issue 1-1, 1-2, and 1-3 of this report, was claimed for reimbursement on the ODHS 1925 (Title IV-E) Monthly FCM Invoice. Included on the ODHS 2910 Purchased Family Foster Care Cost Reports and ODHS 2909 Residential Child Care Facility Cost Reports was \$35,036 of this amount. Additionally, \$2,154 was detailed as federal questioned cost in Issue 6-1 and charged against the medicaid program and/or reported as allowable costs of the 1998 ODMH Med-020 Community Medicaid Actual Cost of Service Cost Report.

ODJFS should determine the amount of over reporting by Buckeye Ranch, and re-compute the Title IV-E per diem reimbursement rate that should have been paid to Buckeye Ranch during the Period and reimburse HHS, ODJFS, or the PCSA for any over reimbursement resulting from the overstated costs.⁴⁶ 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.

Management Comment:

Based on prior reports ODJFS has taken corrective action to implement comprehensive desk reviews⁴⁷ of all cost reports.⁴⁸ Controls could be further enhanced by conducting field audits selected on a sample basis using a risk-based approach.

ISSUE 6	TEST OF MEDICAID BILLINGS
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Objective:

To determine if Medicaid billings at Buckeye Ranch 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 medicaid billings. We tested documentation of hours billed. We also researched the billing procedures between The Buckeye Ranch and the Franklin County Alcohol, Drug and Mental Health Board (the ADAMH).

⁴⁶ Pursuant to Ohio Admin. Code Section 5101:2-47-01(L). Prior to 5/1/98, these provisions were recited in Ohio Admin. Code Sections 5101:2-47-03(H).

⁴⁷ In July 2000 ODJFS implemented a Comprehensive Desk Review process which examines costs reported on the cost report to determine whether the costs are: (1) allowable and presented fairly in accordance with department rules, (2) reasonable, (3) related to foster care and, (4) appropriately classified.

⁴⁸ In June 2000 ODJFS conducted cost report training for providers and implemented Comprehensive Cost Reporting Requirements which requires the provider to submit new information with the cost report, such as related party schedules, Internal Revenue Service (IRS) Form 990, W-2s for reported salaries, foster parent payment listing, and census logs.

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2. We determined if Buckeye Ranch 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).

ISSUE 6-1	DOCUMENTATION FOR MEDICAID BILLINGS
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Results:

All Medicaid services billed should have complete and accurate source documentation, including signatures from authorized personnel. Failure to fully document medicaid billings could potentially subject the Placement Agency to repayment for the undocumented billings.

During 1998, Buckeye Ranch had a contract with the Franklin County Alcohol Drug Addiction and Mental Health Services Board (ADAMH) to provide Medicaid services.⁴⁹ Under this contract, Buckeye Ranch was required to maintain documentation for a period of six years.⁵⁰ Ohio Admin. Code Section 5122:2-3-02(A)(9) states, in pertinent part, "Each community mental health agency shall maintain a complete and adequate ICR (Individualized Client Record) for each client which shall include, but not be limited to, the following: Progress notes."

Out of 914 medicaid billings examined, twenty-seven (27) billings, totaling \$2,154, did not have progress notes as required. An Ohio Department of Alcohol and Drug Addiction Services (ODADAS) compliance audit conducted March 22-23, 2000 also had similar concerns about undocumented billings for the Period. On May 2, 2000 Buckeye Ranch submitted a corrective action plan to ODADAS that addressed undocumented medicaid billings.

Federal Questioned Cost: \$2,154

Office of Management and Budget (OMB) Circular A-122 "Cost Principles of Non-Profit Organizations," requires that for a cost to be allowable, it must, among other factors be adequately documented.⁵¹ By failing to maintain progress notes for \$2,154 in medicaid reimbursements, Buckeye Ranch was in violation of section 14 of its contract with Franklin County ADAMH Board and Ohio Admin. Code Section 5122:2-3-02(A)(9) in the amount of \$2,154. In addition, Buckeye Ranch included these expenditures on the 1998 ODMH Med-020 Community Medicaid Actual Cost of Service Cost Report. The federal questioned cost totaled \$2,154.

Management Comment:

Buckeye Ranch did not adhere to the Franklin County ADAMH Board contract regarding documentation of undocumented billings in the amount of \$2,154. We recommend that Buckeye Ranch follow its corrective action plan for undocumented billings, which was approved by the ADAMH. Also, management should monitor the process to ensure that the corrective action plan is being properly and completely implemented.

⁴⁹ Services between Franklin County ADAMH Board and Buckeye Ranch, for the period July 1, 1997 through June 30, 1998, dated 8/15/97. In addition, another agreement was entered into between Franklin County ADAMH Board and Buckeye Ranch, for the period July 1, 1998 through June 30, 1999, dated 6/3/98.

⁵⁰ Community Mental Health Agency Agreements, Section 14, dated 8/15/97 and 6/3/98, respectively.

⁵¹ OMB Circular A-122 "Cost Principles of Non-Profit Organizations", Attachment A, Paragraph A(2)(g).

**THE BUCKEYE RANCH, 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 Buckeye Ranch 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 The Buckeye Ranch, Inc.
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 adequately documented.

**THE BUCKEYE RANCH, 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 and Unallowed Expenditures	1-1	14	\$40,728
Unallowed Self Insurance Costs	1-2	20	3,108
Distribution of Earnings in Excess of Cost ⁵²	1-3	22	88,000
Unallowable Medicaid Services ⁵³	6-1	31	2,154
TOTAL FEDERAL QUESTIONED COSTS			<u><u>\$133,990</u></u>

⁵² These payment were for the years 1999 and 2000.

⁵³ This Federal Questioned Cost resulted from Buckeye Ranch's apparent over billing of medicaid services it provided to Franklin County ADAMH Board and the resulting payment to Buckeye Ranch.



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THE BUCKEYE RANCH, INC.

FRANKLIN 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
SEPTEMBER 9, 2002**