



**CHILD PROTECTIVE SERVICES SPECIAL AUDIT
OHIO YOUTH ADVOCATE PROGRAM, INC.
REPORT ON AGREED-UPON PROCEDURES**



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

**OHIO YOUTH ADVOCATE PROGRAM, INC.
REPORT ON AGREED-UPON PROCEDURES**

TABLE OF CONTENTS

	PAGE
Board of Trustees and Administrative Personnel	i
Independent Accountants' Report	1
Report on Agreed-upon Procedures	
Background Information	3
Legal Authority	3
Resolution of Questioned Costs	8
Agency Information	10
Issue 1 Test of Expenditures in Accordance with Terms of Agreements and Applicable Laws	15
Issue 2 Test of Funding Received from Public Sources	44
Issue 3 Test of Payments to Foster Parents	44
Issue 4 Test of Internal Controls	49
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	57
Issue 6 Test of Medicaid Billings	61
Issue 7 Test of Medicaid Services	62
Summary of Federal Questioned Costs	64

THIS PAGE LEFT BLANK INTENTIONALLY

**OHIO YOUTH ADVOCATE PROGRAM, INC.
SUPPLEMENT TO REPORT ON AGREED-UPON PROCEDURES**

**BOARD OF TRUSTEES
AS OF DECEMBER 31, 1998**

NAME	TITLE	TERM
Albert Anderson ¹	Chairman	January 1998 - June 30, 1999
Charles Milless ¹	Vice Chairman	January 1998 - June 30, 1999
Scott Timmerman	Secretary/Treasurer	January 1998 - June 30, 1999
Carnealia Suttles Davis	Member	January 1998 - June 30, 1999
Lynda Staycer Zbinovec	Member	January 1998 - June 30, 1999
Harold Schneiderman	Member	January 1998 - June 30, 1999
Dr. David Gemmill	Member	July 1998 - June 30, 1999
Neil Snar	Member	July 1998 - June 30, 1999
Marvena Twigg ²	Member	January 1998 - June 30, 1999

**ADMINISTRATIVE PERSONNEL
AS OF DECEMBER 31, 1998**

NAME	TITLE	LENGTH OF SERVICE
F. Edward Sparks	State Director	February 3, 1997 to Present
Diane Freeman	Assistant State Director	³

Agency Address

Ohio Youth Advocate Program, Inc.
3780 Ridge Mill Drive
Hilliard, OH 43026

¹ These individuals were also Board members of National Youth Advocate Program, Inc. from January 1, 1998 through June 30, 1999.

² Mrs. Twigg has served as the Assistant Executive Director of NYAP since October 1997.

³ The length of service for this employee was not provided by Ohio Youth Advocate Program, Inc.

This Page is Intentionally Left Blank.



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
www.auditor.state.oh.us

Independent Accountants' Report

Thomas J. Hayes, Director
Ohio Department of Job 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 Services⁴ (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 Ohio Youth Advocate Program, Inc. (OYAP or Placement Agency) for the period January 1, 1998 through December 31, 1998 ("the Period"). When specific information came to our attention of other potential instances of noncompliance, we extended our testing period to determine if noncompliance did occur. 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 child placement agency (PCPA) and certain terms and conditions of its contract with Cuyahoga County Department of Children and Family Services (CCDCFS). 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 OYAP 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 Cuyahoga County Department of Children and Family Services Agency (CCDCFS) to determine the ratio of payments for administration and maintenance.
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.

⁴ 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.

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.
7. We performed procedures to determine if there was proper supervision of the Medicaid services provided.

On November 26, 2002 we held a post audit conference with the following:

<u>Name</u>	<u>Office/Position</u>
David Gemmill	Ohio Youth Advocate Program, Board Member
Ed Sparks	Ohio Youth Advocate Program, State Director
Joan Wilson	Ohio Youth Advocate Program, Director Program Support
Robert Clay	National Youth Advocate Program, Chief Financial Officer
Mubarak Awad	National Youth Advocate Program, National Director
Marvena Twigg	National Youth Advocate Program, Executive Vice President
Max Pulsinelli	Griffin Communications, Account Executive
Wesley Newhouse	Lane, Alton and Horst, Legal Counsel
Dan Schultz	Auditor of State, Chief Deputy Auditor
Greg Kelly	Auditor of State, Assistant Chief Deputy Auditor
Pat Snyder	Auditor of State, Assistant Chief Legal Counsel
Edna Frezgi	Auditor of State, Deputy Auditor
Carolyn C. Edwards	Auditor of State, Auditor-in-Charge
Sam Long	Auditor of State, Auditor-in-Charge
Art Stackhouse	ODJFS, Internal Auditor

Subsequent to the post audit conference OYAP 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

November 1, 2002

**OHIO YOUTH ADVOCATE PROGRAM, 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 (formerly ODHS) 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. However, in certain situations when we found instances of noncompliance or questioned costs along with indications that the risk existed in other periods we expanded our testing. This is the twenty-fifth 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.⁵ 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.⁶ 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.⁷

Public Children Services Agency Contractual Requirements

Public Children Services Agencies (PCSA) 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.⁸ 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.

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

⁶ Ohio Rev. Code Section 5101.141(A). Rules established pursuant to this authority are found in Ohio Admin. Code Chapter 5101:2-47.

⁷ Ohio Rev. Code Section 5153.16 (A)(14).

⁸ Ohio Rev. Code Section 5153.16 (C)(2)(a)(v).

**OHIO YOUTH ADVOCATE PROGRAM, INC.
SUPPLEMENT TO REPORT ON AGREED-UPON PROCEDURES**

Cuyahoga County Department of Children and Family Services (CCDCFS), a PCSA, entered into such an agreement with OYAP a PCPA.⁹

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.¹⁰

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.¹¹ 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,¹² 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. . ."¹³

⁹ Cuyahoga County Department of Children and Family Services Vendor Agreement for Foster Care, Residential Care, Emergency Shelter, Independent Living, Group Homes and Day Treatment Services (Purchase of Service Agreement) between CCDCFS and OYAP dated 3/18/98, for the period January 1, 1998 through December 31, 1998.

¹⁰ 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).

¹¹ 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).

¹² 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.

¹³ 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).

**OHIO YOUTH ADVOCATE PROGRAM, INC.
SUPPLEMENT TO REPORT ON AGREED-UPON PROCEDURES**

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.¹⁴ 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.¹⁵

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 . . .¹⁶

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 unallowable 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.¹⁷

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."¹⁸ 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.¹⁹

¹⁴ 42 U.S.C. Section 675(4)(A).

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

¹⁶ 26 U.S.C. Section 501(c)(3).

¹⁷ 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.

¹⁸ Prior to 5/1/98, applicable cost guidelines were contained in Ohio Admin. Code Sections 5101:2-47-63 and 5101:2-47-64.

¹⁹ 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.

**OHIO YOUTH ADVOCATE PROGRAM, INC.
SUPPLEMENT TO REPORT ON AGREED-UPON PROCEDURES**

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.

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)²⁰. In 1998, the FFP was 58% for maintenance payments²¹ made and 50% for administrative costs²² 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.

²⁰ 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.

²¹ 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.

²² 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.

**OHIO YOUTH ADVOCATE PROGRAM, INC.
SUPPLEMENT TO REPORT ON AGREED-UPON PROCEDURES**

Allowable Costs

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

The Agreement provides that CCDCFS will reimburse OYAP at the stipulated per diem rate for the services delineated in Section 4 and described in Exhibit 1 of the Agreement. The Agreement also provides that OYAP will provide foster care maintenance, administrative case management, case planning activities and related administrative activities as set forth in Exhibit 3 of the Agreement.

Exhibit 3 of the Agreement is a complete copy of Ohio Admin. Code Section 5101:2-33-18, in effect during the Period, and was titled "Purchase of Service Agreements for Foster Care and Placement Services." That Ohio Admin. Code section describes foster care maintenance activities' as, "direct care and indirect management activities associated with room and board, daily supervision and care, and health-related services provided to children who are under the care and responsibility of a children services agency."²³

During that Period, Ohio Admin. Code Section 5101:2-33-18(C), provided, "Administrative case management and case planning activities" are, among other things, assistance from the providers of services, to the placement worker, under the purchase of services agreement, in activities such as: preparation for and participation in the judicial determination and review process, arranging for discharge and aftercare services, development of case plans and coordinating the provider's role in carrying out those plans.²⁴

In its contract with CCDCFS, OYAP agreed "The Provider certifies to the Department that for each service specified in Sections 4(A) and (B) at least [specified amount of the billed amount] constitutes a daily payment to foster parent(s) in whose care the Department has placed children covered under this Agreement."²⁵

Also, Section 5 of the contract with CCDCFS states, "The Provider agrees to comply with all federal and state mandates necessary in establishing IV-E reimbursability for all applicable service/programs. The Provider agrees to comply with reporting time deadlines established by the Ohio Department of Human Services (ODHS) and understands that a failure to do so may result in recoupment of those funds actually lost to the Department as a result of a failure to comply with reporting deadlines."²⁶

²³ Ohio Admin. Code Section 5101:2-33-18(B). Ohio Admin. Code Section 5101:2-33-18 was rescinded effective 8/01/02. Contract requirements are now stated in Ohio Admin. Code Section 5101:2-47-23.1, which went into effect 12/01/01.

²⁴ Ohio Admin. Code Section 5101:2-33-18 was rescinded effective 8/01/02. Contract requirements are now stated in Ohio Admin. Code Section 5101:2-47-23.1, which went into effect 12/01/01.

²⁵ Section 4(C), Cost and Delivery of Purchased Services, Paragraph C, Foster Parent Payment, Purchase of Service Agreement, dated 3/18/98, p. 4.

²⁶ Section 5 (A), Title IV-E Reimbursable Services, Purchase of Service Agreement, dated 3/18/98, pg. 10.

**OHIO YOUTH ADVOCATE PROGRAM, INC.
SUPPLEMENT TO REPORT ON AGREED-UPON PROCEDURES**

Furthermore, if a IV-E audit results in an adverse finding against the Department due to Provider error, procedures can be implemented including but not limited to the possibility that the Provider may be required to reimburse the Department.²⁷

In addition to setting forth the services which are deemed allowable costs for foster care providers, the Purchase of Services Agreement establishes inspection and retention requirements for financial records. It states: "The Provider shall maintain financial records which sufficiently and properly reflect all direct and indirect costs expended in the performance of this agreement. Such records shall be available at all reasonable times for inspection, review or audit by duly authorized Department personnel or representatives.²⁸ In Section 15 of the Agreement, OYAP agreed that it would "maintain and preserve all records related to this Agreement in its possession and/or will assure the maintenance of such in the possession of any Third Party performing work related to this Agreement as specified by the Department and for a period of not less than three (3) years."²⁹

Administration of Medicaid Services

OYAP also receives Medicaid receipts for reimbursement of medical counseling services provided by OYAP 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 clinical social worker (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. OMB Circular A-133 defines questioned costs as follows:

²⁷ Section 5 (C), Title IV-E Reimbursable Services, Purchase of Service Agreement, dated 3/18/98, pg. 11.

²⁸ Section 14, Financial Records, Purchase of Services Agreement, dated 3/18/98, pg. 23.

²⁹ Section 15, Availability and Retention of Records, Purchase of Service Agreement, dated 3/18/98, pg. 23.

**OHIO YOUTH ADVOCATE PROGRAM, INC.
SUPPLEMENT TO REPORT ON AGREED-UPON PROCEDURES**

“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, were 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 OYAP join together to ensure that OYAP develops and implements a corrective action plan that will result in fiscal accountability³¹ and legal compliance³² in accountability and legal compliance in an expeditious manner. Based on the findings we recommend the following:

- (1) The PCSAs purchasing services from OYAP should determine whether the findings set forth in this report constitute a breach of their contract, and if so seek an appropriate remedy.
- (2) PCSAs should consider no additional placement of children with OYAP until fiscal accountability and legal compliance is achieved through the corrective action plan.
- (3) ODJFS should assist the contracting PCSAs in seeking recovery of misspent funds by providing administrative and technical support as needed.
- (4) Based on the relevant findings in our report ODJFS should assess whether OYAP should be allowed a Title IV-E reimbursement rate.
- (5) Based on the relevant findings in our report ODJFS should perform an independent assessment of OYAP to determine if it is suitable to be certified by ODJFS to perform foster care functions as set forth in Ohio Admin. Code Section 5101:2-5-03.

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

³¹ During the Period, Ohio Admin. Code Section 5101:2-33-19, Penalties for Failure to Comply with Fiscal Accountability Procedures, effective 12/01/01, ODJFS sets 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 12/01/01, ODJFS sets forth the requirements that a PCSA must establish a system of contracts and contract monitoring when purchasing foster care services.

**OHIO YOUTH ADVOCATE PROGRAM, INC.
SUPPLEMENT TO REPORT ON AGREED-UPON PROCEDURES**

AGENCY INFORMATION

Ohio Youth Advocate Program (OYAP) is a private child placement agency (PCPA), originally incorporated in 1978 as a nonprofit corporation which is exempt from federal income tax under Internal Revenue Code Section 501(c)(3). OYAP is licensed by ODJFS to operate group homes, operate or provide independent living arrangements, act as a representative of ODJFS in recommending family foster homes for certification, to place children for foster care or adoption, and accept temporary, permanent or legal custody of children. When a county children services agency needs a home for a foster child, it can contact agencies such as OYAP to place the child. The group of foster family homes (private foster network) utilized by OYAP has been in place since 1978. OYAP places foster children primarily for Cuyahoga County Department of Children and Family Services.

OYAP has provided services to the following forty-three (43) county children services agencies during the Period: Allen, Athens, Belmont, Butler, Clark, Clermont, Clinton, Columbiana, Crawford, Cuyahoga, Delaware, Erie, Fayette, Franklin, Greene, Guernsey, Hamilton, Hardin, Harrison, Huron, Knox, Licking, Lorain, Lucas, Mahoning, Marion, Miami, Montgomery, Morrow, Muskingum, Ottawa, Perry, Pike, Richland, Ross, Sandusky, Seneca, Scioto, Shelby, Summit, Warren, Wayne, and Williams.

Significant Related Party Transactions³³ with Corporate Officers and Affiliated Organizations:

OYAP, was involved in a series of significant related party transactions with an affiliated organization, National Youth Advocate Program (NYAP), also a nonprofit organization. Both OYAP and NYAP had offices located at OYAP's headquarters, at 3780 Ridge Mill Drive in Hilliard, Ohio.

National Youth Advocate Program

National Youth Advocate Program (NYAP), was originally incorporated in 1983 as a nonprofit organization, by Mubarak Awad who also founded OYAP in 1978. OYAP has been an affiliate of the National Youth Advocate Program (NYAP) since 1983. Additional affiliates were added subsequently as follows: West Virginia Youth Advocate Program (1982), Indiana Youth Advocate program (1987), Illinois Youth Advocate Program (1987), South Carolina Youth Advocate Program (1990), Georgia Youth Advocate Program (1994), Youth Advocate Program International (1994), Kansas Youth Advocate Program (1998), Arizona Youth Advocate Program (1999)³⁴.

OYAP's bylaws state in pertinent part: "The general management of Ohio Youth Advocate Programs, Inc. shall be vested in its Board of Trustees, which shall have, subject to the authority of the Board of Trustees of the National Youth Advocate Program, Inc. an Ohio not-for-profit corporation, of which Ohio Youth Advocate Program Inc. is a subsidiary, control of all property of Ohio Youth Advocate Program, Inc. and shall have and exercise the powers necessary to control the work and policy of Ohio Youth Advocate Program, Inc. in all its aspects. No contracts, debts, or other obligations shall be binding unless contracted under the authority of the National Youth Advocate Program Board of Trustees."³⁵

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 Arizona Youth Advocate Program closed its operations on July 1, 2001.

³⁵ By-Laws of Ohio Youth Advocate Program, Inc., Article III, Section 1, approved by OYAP and NYAP Board of Trustees on February 19, 1987.

**OHIO YOUTH ADVOCATE PROGRAM, INC.
SUPPLEMENT TO REPORT ON AGREED-UPON PROCEDURES**

The bylaws also provide: "Any trustee may be removed from the office of the trustee at any time, by the affirmative vote of two-thirds of the membership of the Ohio Youth Advocate Program, Inc. present and eligible to vote at any duly called meeting of the Board.³⁶ This section was changed in the Amended Code of Regulations of OYAP to add "or by the affirmative vote of two-thirds of the membership of the National Youth Advocate Program, Inc. Board."³⁷

OYAP's 1998 audited financial statements reported that NYAP provided various accounting and administrative functions to its affiliates during the Period. According to NYAP's management, 1983 was the first year OYAP received management services from NYAP. There was not a formal affiliation agreement between the two entities until the agreement effective December 5, 1997.³⁸ The agreement was to be in effect until terminated by either party in accordance with the General Provisions of the agreement.

Section 1, Paragraph 2 of the affiliation agreement with OYAP stated that: "NYAP shall provide the State YAP (OYAP) all accounting services, property management and payroll and benefit administration functions necessary for its operations, as well as insurance coverage, human resource guidance, general legal services oversight and computer links and services. NYAP shall provide public relations services, training, printing and educational materials, including audio/video materials, to State YAP. To the extent that the services or materials are specific to State YAP (for example, printing of letterhead stationer), State YAP shall be charged for amounts paid by NYAP to outside vendors of goods and services."

Section 2, Paragraph 2 of the December 5, 1997 affiliation agreement stated, "State YAP shall pay on a monthly basis to NYAP a percentage of revenue State YAP receives for the care of youth referred to it. The percentage for the 1998 fiscal year shall be ten percent (10%). Thereafter, the percentage may be increased or decreased by the Board of Trustees of NYAP." (Emphasis added)

OYAP paid NYAP approximately 10% of its billed revenue for management services. OYAP paid management fees of \$1,522,946 in 1997, \$1,582,535 in 1998 and \$1,894,784 in 1999³⁹ totaling \$5,000,265. These transactions and their impact on OYAP are fully explained in Issue 1-3 "Management Fees Paid to NYAP in Excess of Allocated Cost".

In addition, NYAP diversified into property by purchasing various types of facilities to be used by its affiliated organizations, such as: residential facilities to expand its foster care/group home model; apartment buildings to expand the Independent Living programs; as well as office buildings to provide administrative office space to affiliates and other tenants.⁴⁰

³⁶ By-Laws of Ohio Youth Advocate Program, Inc., Article III, Section 6, approved by OYAP and NYAP Board of Trustees on February 19, 1987.

³⁷ Amended Code of Regulations of The Ohio Youth Advocate Program, Inc., Article III, Section 6. approved by NYAP Board on November 11, 2000.

³⁸ Per a memo signed by the Assistant National Director of NYAP, August 15, 2002.

³⁹ Ohio Youth Advocate Program, Inc. Audit Report, December 31, 1997, 1998, and 1999, Notes to the Financial Statements, Related Party Transactions Note.

⁴⁰ National Youth Advocate Program, Inc. Audit Report, December 31, 1998, Nature of Activities and Summary of Significant Accounting Policies, Nature of Business.

**OHIO YOUTH ADVOCATE PROGRAM, INC.
SUPPLEMENT TO REPORT ON AGREED-UPON PROCEDURES**

Also, NYAP purchased Briarwood in Georgia, a 64-unit apartment complex to provide housing to low to moderate income individuals with assistance from a grant from the U.S. Department of Housing and Urban Development (HUD) with respect to rental charges and operating methods.⁴¹

In addition, NYAP's Audit Report noted there were unrelated business activities (non-foster care) that operated at a loss.

Village Press

In late 1997, OYAP began a printing operation, called the Village Press. The Village Press provided printing services and materials for the affiliated organizations as well as the general public. Federal funding was obtained to provide training in graphic arts and printing technology to qualified public assistance recipients.⁴² OYAP's audited financial statements, at December 31 for each year, reported excess expenses over revenue for the printing operation of (\$19,928) in 1997⁴³, (\$292,608) in 1998; and (\$525,684) in 1999.⁴⁴ These transactions and their impact on OYAP is fully explained in Issue 1-4 Unallowable Financing of Child Care Facilities and Printing Operation. The Village Press ceased operations June 30, 2001.

Child Care Facilities

OYAP operated two child care facilities. OYAP's audited financial statements, at December 31 for each year, reported excess expenses over revenue for the child care facilities of \$ 33,057 in 1996, \$195,109 in 1997⁴⁵; and \$162,708 in 1998.⁴⁶ These transactions and their impact on OYAP is fully explained in Issue 1-4 Unallowable Financing of Child Care Facilities and Printing Operation. The child care facilities ceased operations June 30, 1998.

⁴¹ National Youth Advocate Program, Inc. Audit Report, December 31, 1998, Nature of Activities and Summary of Significant Accounting Policies, Nature of Business.

⁴² Ohio Youth Advocate Program, Inc. Audit Report, December 31, 1997, 1998, and 1999, Note 1, Nature of Activities and Summary of Significant Accounting Policies, Nature of Business.

⁴³ Ohio Youth Advocate Program, Inc. Audit Report, December 31, 1997 and 1996, Supplemental Information for Statement of Activities For the year ended December 31, 1997.

⁴⁴ Ohio Youth Advocate Program, Inc. Audit Report, December 31, 1998, and 1999, Statement of Activities.

⁴⁵ Ohio Youth Advocate Program, Inc. Audit Report, December 31, 1997 and 1996, Supplemental Information for Statement of Activities For the year ended December 31, 1997.

⁴⁶ Ohio Youth Advocate Program, Inc. Audit Report, December 31, 1998, and 1999, Statement of Activities.

**OHIO YOUTH ADVOCATE PROGRAM, 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
Ohio Youth Advocate Program
Foster Care Statistics**

Characteristic	Statistic
Daily Average Number of Children in Placement	477
Number of Active Licensed Foster Homes	508
Average Per Diem Rate	\$66
Number of PCSA from Which Agency Receives Children	43
Required Training for Foster Caregiver Orientation	36 Hours
Required Annual Training for Foster Caregiver	26 Hours ⁴⁷
Expenditures Reported per the Title IV-E Purchased Family Foster Care Cost Report	\$10,467,323
Characteristics of Children Placed by Agency	Traditional to Intensive levels of Foster Care

During the Period, OYAP's staff consisted of 96 people who provided foster care services, including but not limited to administrative assistants, advocates, assistant director, director of human resources, director of support services, foster home licensing specialist, human resource coordinator, intake coordinator, licenser specialist, program supervisor, quality assurance coordinator, receptionist, regional directors, secretaries, state director, treatment coordinators and treatment supervisors to provide services to the foster children and foster parents.

Approximately half of Ohio Youth Advocate Program revenues were comprised of funds received from Cuyahoga County Department of Children and Family Services Board. The total revenues received by OYAP from Cuyahoga County Department of Children and Family Services Board for foster care services during the Period of January 1, 1998 to December 31, 1998 was \$7,273,830.

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.⁴⁸

⁴⁷ Foster parents providing care for at risk or medically fragile children were required to complete 35 hours of training per year. All other levels of care were required to complete 26 hours of training per year.

⁴⁸ Total revenue reported in OYAP's audited financial statements was \$15,807,444, however, the financial statements did not provide a detailed breakdown. At our request OYAP prepared Table II for purposes of analysis and showed total revenues as \$15,913,794, for a variance of \$106,350.

**OHIO YOUTH ADVOCATE PROGRAM, INC.
SUPPLEMENT TO REPORT ON AGREED-UPON PROCEDURES**

**Table II
Ohio Youth Advocate Program
Revenue by Source**

	1998	Percent of Total Revenue
Cuyahoga County	\$7,273,830	45.7%
Franklin County	\$2,321,055	14.6
Magellan	1,147,402	7.2
Montgomery County	394,444	2.5
Lucas County	288,403	1.8
Sandusky County	217,532	1.4
All other counties	425,305	2.7
West Virginia	158,934	1.0
Franklin County Shelter Care	2,772,734	17.4
Medicaid	206,463	1.3
Day Care	162,866	1.0
Printing revenue	148,151	0.9
Department of Youth Services	11,008	0.0
Juvenile Justice	98,423	0.6
Job Training Contracts	89,231	0.6
Other revenues	198,013	1.3
Totals	\$15,913,794	100%

Relevant Individuals

Mubarak E. Awad

Mr. Awad founded both OYAP and NYAP. He served as the Executive Director of OYAP from inception until 1983. Mr. Awad has served as the National Director of NYAP since 1983 until present.

Marvena Twigg

Mrs. Twigg has served as the Assistant Executive Director of NYAP since October 1997.

Rich Blickendorfer

Mr. Blickendorfer served as the Chief Financial Officer of NYAP from April 1, 1997 until December 17, 2001. Bob Clay currently serves as the Chief Financial Officer of NYAP.

F. Edward Sparks

Mr. Sparks is the State Director of OYAP and has been with the agency since February 3, 1997.

**OHIO YOUTH ADVOCATE PROGRAM, INC.
SUPPLEMENT TO REPORT ON AGREED-UPON PROCEDURES**

Janice Elsass

Mrs. Elsass served as the Director of Business & Finance for OYAP from 1978 through 1982 prior to becoming the Director of Business and Finance of NYAP in 1983.

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

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 OYAP 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 OYAP 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 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 documents supporting all car lease payments. We reviewed documentation supporting how the percentage of time the cars were used for business and personal use was determined and whether personal use was properly disclosed on the employees' W-2.

**OHIO YOUTH ADVOCATE PROGRAM, 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 the Placement Agency.

ISSUE 1-1	CHECK AND CREDIT CARD DISBURSEMENTS NOT AUTHORIZED OR WHICH LACKED SUPPORTING DOCUMENTATION REQUIRED UNDER THE CCDCFS CONTRACT.
------------------	---

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.⁴⁹

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 . . . ”⁵⁰

The Purchase of Services Agreement with CCDCFS establishes inspection and retention requirements for financial records. It states: “The Provider shall maintain financial records which sufficiently and properly reflect all direct and indirect costs expended in the performance of this agreement. Such records shall be available at all reasonable times for inspection, review or audit by duly authorized Department personnel or representatives.⁵¹ The agreement further states that “the Provider shall maintain and preserve all records related to this Agreement in its possession...for a period of not less than three (3) years.”⁵²

In addition, under Section 1 of the Agreement, OYAP was to provide those services delineated in Section 4 of the Agreement.⁵³

We inspected seven hundred, seventy (770) credit card expenditures totaling \$48,242 in charges. We requested supporting documentation for these expenditures such as receipts, invoices, billing statements, calendar dates of the foster care related event, 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. OYAP was unable to provide us with supporting documentation as requested for three hundred eight (308) transactions totaling \$18,633 and was in violation of OMB Circular A-122, Attachment A(2)(a) and (g).

⁴⁹ Office of Management and Budget (OMB) Circular A-122, “Cost Principles of Non-Profit Organizations,” Attachment A, Paragraph (A)(2)(a) and (g).

⁵⁰ OMB Circular A-122, Attachment A, Paragraph (A)(3)(a) through (c).

⁵¹ Section 14, Financial Records, Purchase of Services Agreement, dated 3/18/98, pg. 23.

⁵² Section 15, Availability and Retention of Records, Purchase of Services Agreement dated 3/18/98, pg. 23.

⁵³ See detailed discussion of these agreed-upon services in the “Allowable Costs” Section of this report.

**OHIO YOUTH ADVOCATE PROGRAM, INC.
SUPPLEMENT TO REPORT ON AGREED-UPON PROCEDURES**

We inspected one thousand, one hundred and one (1,101) check disbursements totaling \$4,231,259 in expenditures. We requested supporting documentation for these expenditures such as receipts, invoices, billing statements, calendar dates of the foster care related event, 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. OYAP was unable to provide us with supporting documentation as requested for thirty-three (33) transactions totaling \$4,545 and was in violation of OMB Circular A-122, Attachment A(2)(a) and (g).

**Table III
Ohio Youth Advocate Program
Questioned Costs**

Undocumented Expenditures	
Credit Card Expenditures	
312 (Restaurant)	\$ 36
AAA Rental & Sales	60
Adam's Mark-Chicago-Breakfast for WVA & SC Region	70
Aladdin's Eatery	13
Ameritech Paid by Phone	839
Anthony Thomas-Candy for all regions at conference	112
Asian Express	41
Applebee's	140
Arvey Paper & Office Products	93
Big Bear	458
Bill Knapps	15
BJ Young's	18
Black Art	40
Blimpies	54
Bob Evans	278
Boll Weevil	127
BP Oil	49
Bravo Cucina	164
Budget Rent A Car	84
Café` 55	135
Cap City Diner	68
Cash Advance-Ed Sparks	1,123
Cash Advance-David Drake	417
Central Ohio Topsoil	606
Certified Oil	19
Chi Chi's	107
Chili's Restaurant	46
Circuit City	42
Citgo	41

**OHIO YOUTH ADVOCATE PROGRAM, INC.
SUPPLEMENT TO REPORT ON AGREED-UPON PROCEDURES**

**Table III
Ohio Youth Advocate Program
Questioned Costs**

Clancy's Tavern	11
Clarion Hotels	93
Clairmont	70
Columbus Messenger	14
Columbus Shuttle Park	12
Compaq Support	20
Cookers	63
COTA	75
Counterfeit Heist	24
Cracker Barrell	138
Crimson & Clover	28
Damon's	22
Dave & Buster's	217
Dave White Leasing	264
Delta Air	516
Denny's	31
Dianna's Deli	18
Diner on Sycamore	14
Donatos Pizza	263
Dublin Floral	76
Estrada's Homestyle	14
Evergreen Chinese	36
Fat Daddy's Game	53
Finast Market	27
Firstlink, Inc.	120
Fontanelle	36
Franklin Covey	66
Frank's Nursery	85
Fudrucker's	22
Gin Mill	18
Glass Thimble	213
Gordon Food Service	70
Gottlieb's	322
High Beck Tavern	16
Hoggy's Roadside Grille	19
Hometown Buffett	33
Host International, Inc.	24

**OHIO YOUTH ADVOCATE PROGRAM, INC.
SUPPLEMENT TO REPORT ON AGREED-UPON PROCEDURES**

**Table III
Ohio Youth Advocate Program
Questioned Costs**

Hunan House	21
J Gilbert's	42
Jack's Appliance	30
Katzinger's	360
Kenny Roger's Roasters	6
Kim's East	16
Kinko's	10
Kluck's Restaurant	27
Kmart	26
Kohl's Department Store-Bedding & Pillows	333
Kroger	97
Lai Lai	174
Lazarus	80
Lindey's	142
Lucita's Mexican Restaurant	19
Macaroni's	67
Malibu Grill	26
Mark Phi's	25
Marriot Hotels	101
Max & Erma's	230
MCL Cafeteria	32
Mega Mall Ford Parts	145
Meijer, Inc.	754
Membership Rewards	25
Merrimac Cellphone	25
Mill Street Bagels & Deli	237
Mother's Bar & Grille	42
New China Bell	16
Nickles Grille	102
Nikis Restaurant	20
Ohio State Park Center	200
Parasson's Italian Restaurant	15
Parcel Plus UPR	347
Partridge Inn	100
Pat Flynn's	28
Penske Truck LSG	38
Perkins	12

**OHIO YOUTH ADVOCATE PROGRAM, INC.
SUPPLEMENT TO REPORT ON AGREED-UPON PROCEDURES**

**Table III
Ohio Youth Advocate Program
Questioned Costs**

Pier 1	23
Pilot Corp	24
Ponderosa	23
PRK UN-Clubhouse	23
Radisson Hotels	231
Ramada Inns-Huntington WV	50
Red Lobster	198
Rent-a-Center	40
Rigsby's Cuisine	56
Roadhouse Grille	51
Room & Board Equipment	261
Ryman & Terret	97
Saturn West	75
Sconyers BBQ	233
Shang Hai Restaurant	16
Shell	30
Sheraton Hotels	1,365
Shoney's	43
Skyline Chili	9
Smart Move Self Storage	114
Southwest Airlines	195
Spageddies	250
Spagio Restaurant	126
Staples	10
Starliner Diner	15
Sumeno's Italian	36
Sumner Suites	1,270
Super America	15
Taj Palace Restaurant	25
Target	31
Teejays	39
TGI Friday's	325
The Clairmont	39
The Dock	28
Thrifty Rent A Car	445
Travel Ex/Mutual of Omaha	126
U-Haul Center	163

**OHIO YOUTH ADVOCATE PROGRAM, INC.
SUPPLEMENT TO REPORT ON AGREED-UPON PROCEDURES**

**Table III
Ohio Youth Advocate Program
Questioned Costs**

USPS	13
Valvoline Instant Oil Change	29
Villa Nova	20
Wilhelm's - Pier 55	41
Zippy's Pizza	22
	18,633
Check Disbursements	
Bridget Delaney-Employee meals	48
Byron Robinson	545
Darcy OAS	156
Diane Banzinger-Freeman	105
Donatos Pizza	690
Donna Hauser-Employee meals	34
Enterprise Recovery System	117
George Ghanem-Consultant	1,107
Glenn Byers-Christmas Party expenses	1,161
Jane Bing-Consultant	9
John Hardiman	137
Karen McGirty-Food	45
Keysers Silk Florist	32
Kim Calhoun-Meals	26
Lori Beullah-Meals	20
Lori Long-Employee lunch	27
Manisses Communications	99
Marcia Reed	22
Miller Florist's	118
Susie Parr-Food	11
Terry L. Walker-Staff Lunch	9
Wayne Robert's-Employee Lunch	27
	4,545
Total Undocumented Expenditures	\$23,178

Additionally, one hundred eighty-seven (187) credit card expenditures totaling \$5,153 and fifty-two (52) check disbursements totaling \$9,206 were not allowable direct services or administrative costs under the CCDCFS contract or OMB Circular A-122. These improper expenditures consisted of flowers and gift certificates for staff, retirement luncheon, a holiday party and gifts for employees, political action committee contributions, athletic club dues, supplies for affiliates, cash advance fees, and late and finance charges. Unallowable expenditures totaled \$14,359. They were as follows:

OHIO YOUTH ADVOCATE PROGRAM, INC.
SUPPLEMENT TO REPORT ON AGREED-UPON PROCEDURES

1. Eleven (11) credit card transactions for \$791 and nine (9) check disbursements for \$1,875, totaling \$2,666 were for flowers and gift certificates for staff, retirement luncheon, and gift baskets for board members and were unallowable under 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 a portion of these expenditures on its ODHS 2910 Purchased Family Foster Care Cost Report and 2909 Residential Child Care Facility 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."⁵⁴ Unallowable costs for personal use totaled \$2,666.
2. Fifteen (15) credit card transactions for \$2,228 were for retirement luncheons, holiday party expenses, and employee birthday and get well cards were unallowable under OMB Circular A-122, Attachment B, Paragraph 14 which states, "Costs of amusement, diversion, social activities, ceremonials, and costs relating thereto, such as meals, lodging, rentals, transportation, and gratuities are unallowable (but see paragraphs 13 and 30)." Attachment B, Paragraph 13, allows "expenses incurred in accordance with the organization's established practice and custom for the improvement of working conditions, employer-employee relations, employee morale, and employee performance." The agency's reporting of a portion of these expenditures on its ODHS 2910 Purchased Family Foster Care Cost Report and 2909 Residential Child Care Facility 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." Unallowable costs for entertainment totaled \$2,228.
3. Two (2) check disbursements for \$2,350 were for contributions to two advocacy groups were unallowable costs according to OMB Circular A-122, Attachment B, Paragraph 9, which states, "Contributions and donations by the organization to others are unallowable." The agency's reporting of a portion of these expenditures on its ODHS 2910 Purchased Family Foster Care Cost Report and ODHS 2909 Residential Child Care Facility Cost Report was also in violation of Ohio Admin. Code Section 5101:2-47-26(A)(6), which generally disallows the reporting of "Contributions, donations, or any outlay of cash with no prospective benefit to the facility or program."⁵⁵ Unallowable costs for contributions and donations totaled \$2,350.
4. Twelve (12) check disbursements transactions totaling \$3,297 for athletic club membership dues were unallowable under OMB Circular A-122, Attachment B, Paragraph 30(e), which provides: "Costs of membership in any country club or social or dining club or organization are unallowable." The agency's reporting of a portion of these expenditures on its ODHS 2910 Purchased Family Foster Care Cost Report and 2909 Residential Child Care Facility 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." Unallowable membership costs totaled \$3,297.

⁵⁴ Prior to 5/1/98, this rule was stated in Ohio Admin. Code Section 5101:2-47-64(G).

⁵⁵ Prior to 5/1/98, the rule was stated at Ohio Admin. Code Section 5101:2-47-64(F).

**OHIO YOUTH ADVOCATE PROGRAM, INC.
SUPPLEMENT TO REPORT ON AGREED-UPON PROCEDURES**

5. Three (3) check disbursements totaling \$650 for office supplies for an affiliated agency, NYAP, for which OYAP was not reimbursed, were unallowable under OMB Circular A-122, Attachment B, Paragraph 28 which states, “ The costs of materials and supplies necessary to carry out an award are allowable...Materials and supplies charged as a direct cost should include only the materials and supplies actually used for the performance of the contract or grant...” The agency’s reporting of a portion of these expenditures on its ODHS 2910 Purchased Family Foster Care Cost Report and 2909 Residential Child Care Facility Cost Report was also in violation of Ohio Admin. Code Section 5101:2-47-25(A), which only allows the reporting of materials and supplies “to the extent that the costs are necessary in providing services.” Unallowable costs for materials and supplies totaled \$650.

6. One hundred sixty-one (161) credit card transactions for \$2,134 and twenty six (26) check disbursements for \$1,034 for cash advance fees, finance charges, late fees, over-limit fees and service charges and 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 a portion of these expenditures on its ODHS 2910 Purchased Family Foster Care Cost Report and 2909 Residential Child Care Facility 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....”⁵⁶ Unallowable costs for interest totaled \$3,168.

**Table IV
Ohio Youth Advocate Program
Questioned Costs**

Unallowable Expenditures	
Unallowable Costs for Personal Use	
Cadiz Florist-Secretary’s Day	\$ 26
Cedarbrook Garden-holiday gifts for staff	80
Kaiser’s Greenhouse-Flowers for staff	98
Ken’s Flower’s-Flowers for staff	88
Lazarus-Employee gift certificates	160
Maria Adornetto Restaurant-Goodbye lunch for staff	132
Spageddies-Lunch for departing employee	152
The Nature Co.-Holiday gifts	55
Ahern’s Florist-Flowers for staff	35
Baskets by Bonnie-Baskets for Board Members	233
Connell’s Flowers-Flowers for staff	1,411
Miller Florists, Inc.-Flowers for staff	161
Wellman’s Flowers-Flowers for staff	35
	2,666

⁵⁶ Prior to 5/1/98, Ohio Admin. Code Section 5101:2-47-64(I) prohibited, among other things, “interest on borrowings.”

**OHIO YOUTH ADVOCATE PROGRAM, INC.
SUPPLEMENT TO REPORT ON AGREED-UPON PROCEDURES**

**Table IV
Ohio Youth Advocate Program
Questioned Costs**

Unallowable Costs for Entertainment	
½ Off Card Shop-Employee Birthday, Get Well Cards	21
AAA Rental & Sales-Christmas Party Rental	212
Barrister Hall-Christmas Party Expense	175
Chapel Hill Florist-Flowers for Staff Christmas Party	32
HJ Prime Cut-Christmas Luncheon for Staff	160
Grand Market Café-Deposit for Staff Holiday Party	589
Kroger-Food for Staff Christmas Party	58
Oglebay Park-Director's Meeting	353
Panorama Dinin Westlake-Deposit for Staff Holiday Party	50
Roosters- Staff Christmas Party	486
Yum Yum Tree-Staff Christmas Party	92
	2,228
Unallowable Costs for Contributions/Donations	
Community Shelter Board-Contribution	100
Cuyahoga County Action Committee-Political Action group contribution	2,250
	2,350
Total Unallowable Costs for Membership	
Athletic Club of Columbus-Athletic Club dues for Marvena Twigg & Ed Sparks	3,297
Unallowable Costs for Materials & Supplies	
Carole Calladine-Office Supplies for NYAP	49
Staples Credit Plan-Office Supplies for NYAP	601
	650
Unallowable Costs for Interest	
Cash Advance Fee-David Drake & Ed Sparks Corporate Credit Cards	78
Finance Charges-D. Drake, E. Sparks & M. Twigg's Corporate Credit Cards	1,237
Late Fees-D. Drake, E. Sparks, & M. Twigg's Corporate Credit Cards	702
NCB Lincoln Village-Late Fee	57
Overlimit Fees-David Drake's Corporate Credit Card	60
Athletic Club of Columbus-Late Fees	42
Connell's Flowers-Finance Charge	18
First National Bank of Ohio-Late Fee	247
Lowes Business Account-Finance Charge	56
Office Max Credit Plan-Finance Charge	34

**OHIO YOUTH ADVOCATE PROGRAM, INC.
SUPPLEMENT TO REPORT ON AGREED-UPON PROCEDURES**

**Table IV
Ohio Youth Advocate Program
Questioned Costs**

Ruth Stamper-Late fee on rent	500
Sam's Club Direct-Late Fee	15
Storage USA-Late Fee	24
Staples Credit Plan-Late Fees & Finance Charges	98
	3,168
Total Unallowable Expenditures	\$14,359

Federal Questioned Costs: \$37,537

The reimbursement claims submitted on the ODHS 1925 (Title IV-E) Monthly FCM Invoice by PCSAs contracting with OYAP for foster care services included the \$37,537 in expenditures detailed in Table III and IV. OYAP was unable to provide documentation to adequately demonstrate the programmatic purposes of \$23,178 of those expenditures as required by Sections 14 and 15 of its contract with CCDCFS and OMB Circular A-122⁵⁷. The remaining \$14,359 of those expenditures were unallowable costs as a result of violating OMB Circular A-122 Attachment A, Paragraph A (2)(a) and (g), Attachment B, Paragraphs 9, 14, 18, 23(a)(1), 28, 30(e), and Ohio Admin. Code Sections 5101:2-47-25(A) and 5101:2-47-26(A)(6), (7), and (9). Federal questioned costs totaled \$37,537.

OYAP included \$30,582 of these expenditures on the ODHS 2910 Purchased Family Foster Care Cost Reports and ODHS 2909 Residential Child Care Facility Cost Reports. As a result, these unallowable expenditures may have caused the overstatement of the Title IV-E maximum reimbursement rate and the overpayment of reimbursements claimed.

Management Comment:

Cuyahoga County Department of Children and Family Services should require the agencies with which it contracts for placement services, to obtain and submit to CCDCFS 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. CCDCFS should review these reports and follow up on any exceptions reported. CCDCFS did not have such requirements and as a result, annual audited financial statements and a report on internal controls were not submitted to CCDCFS 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 OYAP and if so seek appropriate remedy. ODJFS should assist the PCSAs in seeking recovery of the misspent funds by providing administrative and technical support as needed.

⁵⁷ 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).

**OHIO YOUTH ADVOCATE PROGRAM, INC.
SUPPLEMENT TO REPORT ON AGREED-UPON PROCEDURES**

ISSUE 1-2	EXCESSIVE CONFERENCE EXPENSES
------------------	--------------------------------------

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.⁵⁸

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 . . . ”⁵⁹

In accordance with Ohio Admin. Code Section 5101:2-33-18(A)⁶⁰, in effect during the Period, CCDCFS set forth the scope of services it intended to purchase from OYAP in its cost reimbursement contracts.⁶¹ The scope of services to be provided by OYAP and paid for by Cuyahoga County Department of Family and Children Services was set forth in the contract between the two parties. Exhibit 3 of the contract between CCDCFS and OYAP of Ohio effective January 1, 1998 through December 31, 1998 (Purchase of Service Agreement) describes the foster care maintenance, administrative case management, case planning activities and related administrative activities for which CCDCFS intended to reimburse OYAP.

During our review of check disbursements for the Period we noted OYAP partially paid for a professional conference held at the Adam’s Mark Hotel in Columbus, Ohio. Upon further review we found that biennially an affiliate hosted the NYAP National conference. In comparison to prior and subsequent conferences we found the total costs of \$653,990 for the 1998 conference to be excessive. In response to our questions about the 1996 and 2000 national conferences, the former CFO of NYAP stated in pertinent part, “The 1996 National Conference cost less than \$100,000. It was held in Savannah, Georgia.” In addition, he provided information about the 2000 NYAP conference held in Kansas that showed total receipts of \$48,300, total expenses of \$135,711 for a net cost of \$87,411.

In a memo dated April 24, 2001 the former CFO of NYAP, described the conference, in pertinent part, as follows: “The 1998 conference was more expensive than past (or, so far, future) conferences because it was larger in scope. We had more presenters, more workshops and more attendees. We incurred additional expenses for videotaping certain segments of the conference and for special events within the conference which celebrated the 20th anniversary of OYAP and NYAP...Since 1998, however, financial realities have forced us to scale back drastically on our conferences.

⁵⁸ Office of Management and Budget (OMB) Circular A-122, “Cost Principles of Non-Profit Organizations,” Attachment A, Paragraph (A)(2)(a).

⁵⁹ OMB Circular A-122, Attachment A, Paragraph (A)(3)(a) through (c).

⁶⁰ Ohio Admin. Code Section 5101:2-33-18 was rescinded effective 8/01/02. Contract requirements are now stated in Ohio Admin. Code Section 5101:2-47-23.1, which went into effect 12/1/01.

⁶¹ Section 1, Purchase of Services, Purchase of Service Agreement, dated 3/18/98, pg. 1.

**OHIO YOUTH ADVOCATE PROGRAM, INC.
SUPPLEMENT TO REPORT ON AGREED-UPON PROCEDURES**

The 2000 National Conference in Kansas was very small and we cancelled plan for a 2001/2002 National Conference for financial reasons.”

During our review of invoices and memos related to the conference we noted that OYAP paid for conference expenses, as well a registration fees for its employees to attend the conference.

- OYAP paid \$212,854 (32.5%) of the total 1998 conference expenses of \$653,990 while NYAP paid for the remaining balance of \$441,136 (67.5%).
- NYAP received \$98,408 for registration of which OYAP paid \$30,120 in registration fees for 87 of its employees to attend the conference (10% of total attendance).
- Section 1, Paragraph 2 of the affiliation agreement between OYAP and NYAP states in pertinent part, “NYAP shall provide public relations services, training, printing and educational materials, including audio/video materials to State YAP.” The conference expenses paid by OYAP, in the amount of \$212,854, were NYAP’s responsibility and did not provide additional benefits to OYAP beyond those received by other affiliates for the payment of registration fees. Federal questioned costs totaled \$212,854.⁶²

Federal Questioned Costs: \$212,854

The reimbursement claims submitted on ODHS 1925 (Title IV-E) Monthly FCM Invoice by PCSA’s contracting with OYAP for foster care services included \$212,854 in conference expenditures. These conference expenses paid by OYAP were in violation of OMB Circular A-122, Attachment A, Paragraph A(2)(a)and (g), (3)(a) through (c), and Section 1 of its contract with CCDDFS. The amount of federal questioned costs totaled \$212,854.

OYAP included \$212,854 of these expenditures on the ODHS 2910 Purchased Family Foster Care Cost Reports and ODHS 2909 Residential Child Care Facility Cost Report. As a result, these unallowable expenditures may have caused the overstatement of the Title IV-E maximum reimbursement rate and the overpayment of reimbursement claims.

Management Comment:

We recommend the OYAP Board of Trustees establish accounting policies and procedures that ensure that costs are properly allocated among the affiliated organizations receiving the benefits. We further recommend that NYAP and the other state affiliates reimburse OYAP for costs paid on their behalf.

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 OYAP and if so seek appropriate remedy. ODJFS should assist the PCSAs in seeking recovery of the misspent funds by providing administrative and technical support as needed.

⁶²

We have included questioned costs from the conference expenses as a credit against any management fees paid by OYAP in excess of cost that may have been allocable to all affiliates (See Issues 1-3).

**OHIO YOUTH ADVOCATE PROGRAM, INC.
SUPPLEMENT TO REPORT ON AGREED-UPON PROCEDURES**

ISSUE 1-3	MANAGEMENT FEES PAID TO NYAP IN EXCESS OF ALLOCATED COSTS
------------------	--

Results:

Office of Management and Budget (OMB) Circular A-122 “Cost Principles of Non-Profit Organizations,” requires that for a cost to be allowable under an award, cost must, among other factors be reasonable, allocable, and adequately documented.⁶³

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 . . .”⁶⁴

The Purchase of Services Agreement with CCDCFS establishes inspection and retention requirements for financial records. It states: “The Provider shall maintain financial records which sufficiently and properly reflect all direct and indirect costs expended in the performance of this agreement. Such records shall be available at all reasonable times for inspection, review or audit by duly authorized Department personnel or representatives.⁶⁵ The agreement further states that “the Provider shall maintain and preserve all records related to this Agreement in its possession...for a period of not less than three (3) years.”⁶⁶

OMB Circular A-122, Attachment A, Paragraph A(4)(a)(1)-(a)(3) states, “A cost is allocable to a particular cost objective, such as a grant, contract, project, service, or other activity, in accordance with the relative benefits received. A cost is allocable to a Federal award if it is treated consistently with other costs incurred for the same purpose in like circumstances and if it: (1) Is incurred specifically for the award. (2) Benefits both the award and other work and can be distributed in reasonable proportion to the benefits received, or (3) Is necessary to the overall operation of the organization, although a direct relationship to any particular cost objective cannot be shown.

Specifically regarding related-party transactions, Ohio Admin. Code Section 5101:2-5-08(G) provides in pertinent part: “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.”

⁶³ Office of Management and Budget (OMB) Circular A-122 “Cost Principles for Non-Profit Organizations,” Attachment A, Paragraph A (2)(a) and (g).

⁶⁴ OMB Circular A-122, Attachment A, Paragraph (A)(3)(a) through (c).

⁶⁵ Section 14, Financial Records, Purchase of Services Agreement, dated 3/18/98, pg. 23.

⁶⁶ Section 15, Availability and Retention of Records, Purchase of Services Agreement dated 3/18/98, pg. 23.

**OHIO YOUTH ADVOCATE PROGRAM, INC.
SUPPLEMENT TO REPORT ON AGREED-UPON PROCEDURES**

Also, the Ohio Administrative Code provides that when completing ODJFS cost reports, “(c)contributions, donations, or any outlay of cash with no prospective benefit to the facility or program” are considered unallowable. (Emphasis added)⁶⁷

As part of its affiliation agreement OYAP was obligated to pay a management fee, based on 10% of its revenue to NYAP on a monthly basis beginning January 1, 1997. We reviewed OYAP’s audited financial statements and notes⁶⁸ and found management fees paid by OYAP in the amounts of \$1,522,946 (1997), \$1,582,535 (1998), and \$1,894,784 (1999) totaling \$5,000,265.

OYAP paid the monthly management fee based on 10% of its monthly revenue and not based on the cost of services provided. Upon further inquiry we found that NYAP did not have a rationale or systematic method of allocating its administrative costs related to the provision of foster care to OYAP and its other state affiliates.

We requested access to NYAP’s financial records that were needed to examine and test to gain assurance that the costs reported as management fees by OYAP on its ODHS 2910 Purchased Family Foster Care Cost Reports and ODHS 2909 Residential Child Care Facility Cost Report each year were both allowable and allocable to OYAP’s foster care program.

In a written response dated July 7, 2000, Rick Blickendorfer, former CFO of NYAP stated: “In summary, the NYAP dues are not simply a charge for tangible services (financial management, personnel administration, staff development, risk management, public relations and resource development). The dues are not simply a mechanism for allocating NYAP’s expenses to the affiliates, as if NYAP were providing a central administrative overhead function... But I would like to repeat that, despite the serviceability of this approximation, the NYAP dues should be considered the price of OYAP’s membership in the NYAP network, not merely as a mechanism for allocating indirect costs to OYAP.”

The former CFO provided a listing of the support services NYAP provided to OYAP and the other affiliates, and a hypothetical allocation of the actual NYAP affiliate support services expense among the affiliates. Total NYAP expenses less building related and development activities (reimbursements through lease costs or non-foster care related activities) multiplied by the affiliates’ percentage of total revenue approximated the management fee paid by OYAP in 1998.

We randomly selected a sample of NYAP’s checks from 1997, 1998, and 1999 and requested supporting documentation for these expenditures such as receipts, invoices, billing statements, calendar dates of the foster care related event, 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. We tested these expenditures for reasonableness, allowability and allocation under the OMB Circular A-122 and Ohio Administrative Code criteria.

During our testing of the management fee we noted that NYAP purchased properties in Ohio and other states, obtained mortgages on these properties, and leased them to the state affiliates, including OYAP. In doing so NYAP’s property and mortgages costs were reimbursed by the affiliates in the form of lease payments. Therefore, these costs should not be included in the allocable expenses used as a basis for management fees.

⁶⁷ Ohio Admin. Code Section 5101:2-47-26(A)(6).

⁶⁸ Ohio Youth Advocate Program, Inc. Audit Report, December 31, 1997, 1998, and 1999, Note 5, Related Party Transactions.

OHIO YOUTH ADVOCATE PROGRAM, INC.
SUPPLEMENT TO REPORT ON AGREED-UPON PROCEDURES

NYAP's audited financial statements noted building related and development expenses in the amounts of \$134,501 (1997), \$587,755 (1998) and \$868,733 (1999)⁶⁹.

We found NYAP's expenditures included unallowable and non-foster care related programs such as: pledges to Youth Advocate Program International (YAP-Intl.); amortization of goodwill on the purchase of a day care facility; and support services for low income housing at OYAP at Briarwood. Additionally, we noted unallowable costs such as: line of credit interest and finance charges, interest expense on NYAP owned buildings and equipment, withholdings for Kentucky employees, bad debt expense, unallocable costs such as depreciation for fixed assets of affiliates and non foster care programs and other state specific expenditures.

We reviewed the 1998 National Conference costs of \$653,990 and found unallowable NYAP 1998 conference expenses, such as \$26,500 for ten framed paintings to be given as gifts for dignitaries, international travel expenses totaled \$10,595, including travel expenses for the Awad family from Tel Aviv, Israel, of \$5,795 (5 tickets), \$1,009 for the Awad family's hotel stay, \$23,280 for unused hotel and banquet rooms at the Hyatt, \$2,000 undocumented out of pocket cash to Mubarak Awad, \$79,402 for the video documentation of the conference, \$547 for flowers and amenities for the hotel room.

These unallowable or unallocable costs along with the questioned costs from the samples were used to reduce NYAP's expenditures to reach an allowable basis of expenditures for allocation to the state foster care affiliates, including OYAP.

NYAP was unable to provide us with supporting documentation or it paid for unallowable and/or state specific expenditures, resulting in questioned costs. These questioned costs were used to reduce NYAP's total expenditures to reach an allocable base of expenditures for the management fees paid. We randomly selected a sample of NYAP's checks, thirty-three checks totaling \$56,021(1997), sixty-five checks totaling \$160,516 (1998) and thirty-three checks totaling \$17,679 (1999) and found questioned costs of \$28,648 (1997), \$15,641 (1998), and \$5,076 (1999).

We haphazardly selected a sample of 1997, 1998 and 1999 expenditures considered to be high risk for noncompliance such as promotional items, legal settlement expenses, and Christmas gifts for employees from NYAP's check registers. We tested checks from high risk accounts totaling \$420,835 (1997), \$404,059 (1998), \$206,924 (1999) and found questioned costs of \$82,705 (1997), \$39,939 (1998) and \$41,518 (1999).

⁶⁹

National Youth Advocate Program, Inc. Audit Report, December 31, 1997, 1998, and 1999, Consolidating and Consolidated Statement of Activities.

**OHIO YOUTH ADVOCATE PROGRAM, INC.
SUPPLEMENT TO REPORT ON AGREED-UPON PROCEDURES**

The following table presents the calculation of the base of expenditures allocable to OYAP's foster care program and the resulting questioned costs for 1997, 1998 and 1999.

Allocable Base Calculation (1)	1997	1998	1999
NYAP's Total Operating Expenses (2)	\$2,216,144	\$3,480,054	\$3,334,791
Building Related Expenses & Development:	<u>(134,501)</u>	<u>(587,755)</u>	<u>(868,733)</u>
NYAP's Management & General Expenses	2,081,643	2,892,299	2,466,058
Pledges to Youth Advocate Program International	(200,000)	(200,000)	(200,000)
Amortization of Goodwill for Purchase of Day Care Facility	(6,667)	(43,333)	0
Support services for GYAP at Briarwood	(10,124)	(37,653)	0
Interest and Finance Charges	(118,178)	(319,922)	(258,227)
Interest on NYAP owned Buildings & Equipment	(123,743)	(74,253)	0
Withholdings for Kentucky Employees	0	(1,051)	0
Bad Debt Expense	(106,429)	(810)	0
Unallocable Depreciation Expense of affiliates and non foster care programs	(135,476)	(274,838)	(264,605)
Undocumented/Unallowable or Costs for Other Affiliates	(28,648)	(15,641)	(5,076)
Unallowable Conference Expenses	0	(143,333)	0
Credit for Conference Expenses paid solely by OYAP (2)		212,854	
Credit for Federal Express Expenses Repaid by NYAP (2)		1,351	
Credit for Office Expenses paid solely by OYAP (2)	10,278	12,556	12,497
Undocumented/Unallowable Costs for Promotional Items, Legal Settlement, and Christmas Gifts for Employees	<u>(82,705)</u>	<u>(39,939)</u>	<u>(41,518)</u>
Adjusted NYAP Allocable Base	\$1,279,751	\$1,968,287	\$1,709,129
X OYAP's Allocation Rate (3)	<u>39%</u>	<u>38%</u>	<u>38%</u>
Recalculated Management Fee	\$499,181	\$747,949	\$649,469
OYAP's Management Fee Paid	<u>(\$1,522,946)</u>	<u>(\$1,582,535)</u>	<u>(\$1,894,784)</u>
Questioned Cost	<u>(\$1,023,765)</u>	<u>(\$834,586)</u>	<u>(\$1,245,315)</u>

(1) Expenditures were obtained from NYAP's Audit Reports for December 31, 1997, 1998 and 1999.

(2) We have included questioned costs from this report as a credit against any management fees paid by OYAP in excess of cost that may have been allocable to all affiliates (See Issues 1-3, 1-7, and 1-8).

(3) NYAP did not have a cost allocation method to distribute pooled costs among the various programs. The allocation rate used was determined by dividing the OYAP census days by the census days of all affiliates for the year.

Federal Questioned Costs: \$3,103,666

The reimbursement claims submitted on the ODHS 1925 (Title IV-E) Monthly FCM Invoice by PCSAs contracting with OYAP for foster care services included the \$3,103,666 in expenditures. Reviewing the payments from OYAP to NYAP for management fees pursuant to the previously-quoted standards set forth in Sections 14 and 15 of its contract with CCDCFS and OMB Circular A-122 Attachment A, Paragraph A (2)(a) and (g), (3)(a)-(c) and (4)(a)(1)-(a)(3) and Ohio Admin. Code Section 5101:2-5-08(G) and Section 5101:2-47-26(A)(6) we conclude that they constitute federal questioned costs in the amount of \$3,103,666.

OYAP reported \$4,451,647 of the affiliation agreement dues on the ODHS 2910 Purchased Family Foster Care Cost Reports and ODHS 2909 Residential Child Care Facility Cost Reports. As a result, these unallowable expenditures may have caused the overstatement of the Title IV-E maximum reimbursement rate and the overpayment of reimbursement claims.

**OHIO YOUTH ADVOCATE PROGRAM, INC.
SUPPLEMENT TO REPORT ON AGREED-UPON PROCEDURES**

Management Comment:

The Boards of Trustees of NYAP and OYAP should develop and implement cost allocation methodology with controls to document the allowable costs of the management fees. Cuyahoga County Department of Children and Family Services should require the agencies, with which it contracts for placement services, to provide the underlying records of transactions between affiliated organizations that result in cost to any local, state or federal program. In addition ODJFS should consider the related party transactions of private foster care agencies as an area of high risk and ensure such activities are adequately monitored for program 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 OYAP and if so seek appropriate remedy. ODJFS should assist the PCSAs in seeking recovery of the misspent funds by providing administrative and technical support as needed.

ISSUE 1-4	UNALLOWABLE FINANCING OF CHILD CARE FACILITIES AND PRINTING OPERATION
------------------	--

Results:

Office of Management and Budget (OMB) Circular A-122 "Cost Principles of Non-Profit Organizations," requires that for a cost to be allowable under an award, cost must, among other factors be reasonable and adequately documented.⁷⁰

In accordance with Ohio Admin. Code Section 5101:2-33-18(A)⁷¹, in effect during the Period, CCDCFS set forth the scope of services it intended to purchase from OYAP in its cost reimbursement contracts.⁷² The scope of services to be provided by OYAP and paid for by Cuyahoga County Department of Family and Children Services was set forth in the contract between the two parties. Exhibit 3 of the contract between CCDCFS and OYAP of Ohio effective January 1, 1998 through December 31, 1998 (Purchase of Service Agreement) describes the foster care maintenance, administrative case management, case planning activities and related administrative activities for which CCDCFS intended to reimburse OYAP.

OMB Circular A-122, Attachment B, Paragraph 9 states, "Contributions and donations by the organization to others are unallowable."

During 1998 OYAP received \$14,999,848 in funding from county agencies in Ohio for reimbursement of foster care related services provided, which represented over 94% of the \$15,913,794 revenue it reported for the year. CCDCFS provided \$7,273,830 (46%) \$15,913,794 total revenue reported on the audited financial statements for the year ended December 31, 1998.

⁷⁰ Office of Management and Budget (OMB) Circular A-122 "Cost Principles for Non-Profit Organizations," Attachment A, Paragraph A (2)(a) and (g).

⁷¹ Ohio Admin. Code Section 5101:2-33-18 was rescinded effective 8/01/02. Contract requirements are now stated in Ohio Admin. Code Section 5101:2-47-23.1, which went into effect 12/01/01.

⁷² Section 1, Purchase of Services, Purchase of Service Agreement, dated 3/18/98, pg. 1.

**OHIO YOUTH ADVOCATE PROGRAM, INC.
SUPPLEMENT TO REPORT ON AGREED-UPON PROCEDURES**

We read OYAP's and NYAP's audited financial statements and the accompanying notes for the years ended December 31, 1996, 1997, 1998 and 1999. We found that OYAP's audit report included financial information for various programs not related to foster care, including two child care facilities and the Village Press, that provides training services for graphic arts and printing technology. In addition we reviewed the revenue and expenses of the child care facilities and Village Press during our testing of OYAP's revenue and expenses.

NYAP⁷³ purchased one child care facility and leased another one but both were operated by OYAP employees, in addition to the Village Press. OYAP's audited financial statements for December 31, 1996 and 1997, reported operating losses resulting from the child care facilities in the amount \$33,057 (1996), and \$195,109 (1997). OYAP's 1998 audited financial statements noted total expenses of \$325,574 for the child care facilities and revenue of \$162,866 was traced to the general ledger for a operating loss of \$162,708. OYAP's management of the child care facilities resulted in operating losses in 1996, 1997, and 1998 that totaled \$390,874. The child care facilities were closed in 1998. Based on our review it appears the \$390,874 paid for the child care facilities operating losses were not necessary or reasonable for the programmatic or operation of the foster care program. Therefore the \$390,874 will be reported as unallowable federal questioned costs.

A breakdown of the revenue and expenses as presented in OYAP's audited financial statements and general ledger is presented below:

Child Care Facilities Revenue and Expenses	1996	1997	1998	Total
Revenue	\$93,533	\$355,163	\$162,866	\$611,562
Personnel Expenses	(60,408)	(254,540)	(150,646)	(465,594)
Other Expenses	(66,182)	(295,732)	(174,928)	(536,842)
Operating Income (Loss)	<u>(\$33,057)</u>	<u>(\$195,109)</u>	<u>(\$162,708)</u>	<u>(\$390,874)</u>

NYAP's audited financial statements and Notes to the Consolidating and Consolidated Financial Statements for 1997 and 1996 noted the "Community Press, Inc. was an affiliated non-profit organization established to provide apprenticeships...in the graphic arts industry for youth at risk...In prior years, this organization's ability to operate as a viable business has been questionable and consequently, the independent auditors opinion was qualified as a going concern. During October 1996, Community Press ceased operations." During the last quarter of 1997, OYAP started the Village Press to provide training services for graphic arts and printing technology. NYAP's 1996 Consolidating and Consolidated Statement of Activities showed a forgiveness of debt for \$1,123,094 to Community Press, Inc.

OYAP's audited financial statements for December 31, 1997 reported operating losses resulting from the Village Press of \$19,928. OYAP's 1998 and 1999 audited financial statements noted total expenses of \$426,703 (1998) and \$686,777 (1999) and revenue of \$134,095 (1998) and \$161,093 (1999) for operating losses of \$292,608 (1998) and \$525,684 (1999). OYAP's management of the Village Press resulted in operating losses in 1997, 1998, and 1999 that totaled \$838,220. Based on our review it appears the \$838,220 paid for the Village Press' operating losses were not necessary or reasonable for the programmatic or operation of the foster care program. Therefore the \$838,220 will be reported as unallowable federal questioned costs.

⁷³

The National Youth Advocate Program, Inc. Audit Reports for December 31, 1997, 1998 and 1999 Notes to Consolidating and Consolidated Financial Statements, Long Term Debt Note shows outstanding debt for the land and buildings, contents and goodwill for the child care facilities.

**OHIO YOUTH ADVOCATE PROGRAM, INC.
SUPPLEMENT TO REPORT ON AGREED-UPON PROCEDURES**

A breakdown of the revenue and expenses as presented in OYAP's audited financial statements is presented below:

Village Press Revenue and Expenses

	1997	1998	1999	Total
Revenue	\$24,490	\$134,095	161,093	\$319,678
Personnel Expenses	(17,751)	(178,659)	(280,925)	(477,335)
Other Expenses	(26,667)	(248,044)	(405,852)	(680,563)
Questioned Cost	<u>(\$19,928)</u>	<u>(\$292,608)</u>	<u>(\$525,684)</u>	<u>(\$838,220)</u>

Based on our review it appeared, OYAP was able to generate substantial cash earnings to pay for the operating losses of the child care facilities and the Village Press in the amount of \$1,229,094. This substantial excess should have been spent for the benefit of the foster care program or either returned to CCDCFS and other PCSAs.

In a memo dated April 30, 1999 from Rick Blickendorfer, former CFO of NYAP regarding revenue and expenses during the preparation of the 1998 foster care cost report stated, "Foster care generated a surplus of \$644,261 in 1998. This surplus includes an allocation of OYAP State Office expenses and NYAP Support Services. If you take away these two items of "fixed" administrative overhead, Foster Care contributed \$3,487,425 to the general well-being of OYAP and NYAP in 1998.

Furthermore, even if CCDCFS had intended to allow the agency to keep the excess revenues for investment it would not have had the authority to waive the federal requirements governing foster care funds. The funding of financially failing non-foster care programs does not fall within the parameters of permissible maintenance or administrative payments.⁷⁴

Federal Questioned Costs: \$1,229,094

OYAP used foster care revenue it received to fund the operations of the fiscally troubled child care facilities and Village Press operations. The Placement Agency's payments of excess revenues totaling \$1,229,094 on behalf of it without the knowledge or approval of CCDCFS appear to be contrary to the intent of the contract with CCDCFS and are unallowable under 42 U.S.C. Section 675(4)(A) and OMB Circular A-122 Attachment A, Paragraph (A)(2)(a) and (g), OMB Circular A-122, Attachment B, Paragraph 9, and Section 1 of its contract with CCDCFS. Federal questioned costs totaled \$1,229,094.

⁷⁴ 42 U.S.C. Section 675(4)(A); 45 C.F.R. Section 1356.60(c)(1999).

**OHIO YOUTH ADVOCATE PROGRAM, INC.
SUPPLEMENT TO REPORT ON AGREED-UPON PROCEDURES**

Management Comment:

CCDCFS, and the other PCSAs contracting with OYAP should determine whether the findings in this report constitute a breach of its contract, and if so seek appropriate remedy. In addition, ODJFS should, by rule, establish an administrative cost cap that while allowing a reasonable amount of administrative funds for ordinary, reasonable and necessary operation of the foster care networks, would prevent the accumulation of substantial cash earnings (profits) that might be used for unintended purposes in violation of applicable contracts and laws and result in questioned costs. In addition, ODJFS should ensure that personnel reviewing the audited financial statements of agencies are trained to identify and report on potential issues that may result in unallowable expenditures or violations of state and federal compliance requirements.

ISSUE 1-5	COMMINGLED PETTY CASH AND UNEXPLAINED SHORTAGES
------------------	--

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.⁷⁵

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 . . .”⁷⁶

The Purchase of Services Agreement establishes inspection and retention requirements for financial records. It states: “The Provider shall maintain financial records which sufficiently and properly reflect all direct and indirect costs expended in the performance of this agreement. Such records shall be available at all reasonable times for inspection, review or audit by duly authorized Department personnel or representatives.⁷⁷ The agreement further states that “the Provider shall maintain and preserve all records related to this Agreement in its possession...for a period of not less than three (3) years.”⁷⁸

Also, the Ohio Administrative Code provides that when completing ODJFS cost reports, “(c)ontributions, donations, or any outlay of cash with no prospective benefit to the facility or program” are considered unallowable. (Emphasis added)⁷⁹

During our review of OYAP’s petty cash funds in Columbus we found:

⁷⁵ OMB Circular A-122, Attachment A, Paragraph (A)(2)(a) and (g).

⁷⁶ OMB Circular A-122, Attachment A, Paragraph (A)(3)(a) through (c).

⁷⁷ Section 14, Financial Records, Purchase of Services Agreement, dated 3/18/98, pg. 23.

⁷⁸ Section 15, Availability and Retention of Records, Purchase of Services Agreement dated 3/18/98, pg. 23.

⁷⁹ Ohio Admin. Code Section 5101:2-47-26(A)(6).

OHIO YOUTH ADVOCATE PROGRAM, INC.
SUPPLEMENT TO REPORT ON AGREED-UPON PROCEDURES

1. The OYAP Board of Trustees did not authorize a petty cash fund nor the policies or procedures relating to a petty cash account, such as its size, purpose, types of allowable expenses, who was authorized to use the account, or the manner in which the account was to be replenished.
2. OYAP's petty cash funds were maintained within the NYAP Assistant Director's personal checking account, commingled with her personal funds, and accounted for through a separate petty cash register. The Assistant National Director had complete access to the account as well as the administrative assistant and secretary of the Emergency Shelter Care program. There were no procedures in place to determine accountability.
3. During the review of the petty cash account we found:
 - The bank account incurred non-sufficient fund fees and automatic advances for cash shortages;
 - During the Period, five out of the twelve months the bank statement reflected a negative ending balance;
 - There were gaps in the numerical sequence of checks and these checks were not accounted for;
 - The reconciliations did not carry forward the ending balance from the previous reconciliation;
 - Receipts were not provided for expenditures that totaled \$25,625. Therefore the \$25,625 will be reported as unallowable federal questioned costs;
 - There were numerous cash withdrawals and check card purchases;
 - Checks issued to replenish petty cash were not always deposited in a timely manner, in one instance the delay was over a month and in another instance fifteen days;
 - Checks were made payable to individuals who had access to the account and not the organization providing the goods or services;
 - In two instances in 1998 on January 28 and November 28 checks were issued for \$5,000 to replenish the account. The bank statements reflected deposits of \$4,300 and \$4,800 resulting in shortages of \$700 and \$200 respectively. Therefore the \$900 will be reported as unallowable federal questioned costs.
 - The first petty cash reconciliation provided was as of March 1998 and showed a beginning balance of \$4,345. During the Period we noted total deposits and expenses for the year in the amounts of \$35,000 and \$33,166, respectively. The ending balance at December 1998 should have been \$6,179, but was noted as \$3,326. We reviewed the petty cash reconciliations throughout the Period and noted unexplained shortages in the amount of \$2,853. In addition, the reconciliations noted shortages (unaccounted for funds) that totaled \$2,853. Therefore the \$2,853 will be reported as unallowable federal questioned costs.

Without clear, specific procedures to account for petty cash funds and the commingling of the Placement Agency's funds with personal funds significantly increased the risk that cash assets may be lost, stolen, or improperly used and that shortages may occur and go undetected.

**OHIO YOUTH ADVOCATE PROGRAM, INC.
SUPPLEMENT TO REPORT ON AGREED-UPON PROCEDURES**

Federal Questioned Costs: \$29,378

The reimbursement claims submitted on ODHS 1925 (Title IV-E) Monthly FCM Invoice by PCSAs contracting with OYAP for foster care services included the \$29,378 in expenditures. OYAP was not able to provide documentation to adequately demonstrate the programmatic purposes of \$29,378 of those expenditures as required by Section 14 and 15 of its contract with CCDCFS and OMB Circular A-122, Attachment A, Paragraph A(2)(a) and (g) and A(3)(a)-(c), and Ohio Admin. Code Section 5101:2-47-26(A)(6). Federal questioned costs totaled \$29,378.

OYAP reported these expenditures on the ODHS 2909 Residential Child Care Facility Cost Reports. As a result, these unallowable expenditures may have caused the overstatement of the Title IV-E maximum reimbursement rate and the overpayment of reimbursement claims.

Management Comment:

We recommend that the OYAP Board of Trustees develop and implement an impress petty cash fund along with policies that at a minimum:

1. Specifies the maximum amount of money to be maintained in each petty cash account and the types of expenditures that may be made from the accounts;
2. Designates the regional petty cash custodians, and regional employees who may draw moneys from the account;
3. Specifies the requirements and procedures for replenishing the accounts, including sufficient documentation to substantiate proper expenditures made from the accounts;
4. Requires a lockbox or other measures be used to safeguard the funds. The custodian should be issued a agency check to replenish the fund;
5. Limits payment of incidental expenditures from only authorized petty cash accounts.

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 OYAP and if so seek appropriate remedy. ODJFS should assist the PCSAs in seeking recovery of the misspent funds by providing administrative and technical support as needed.

Based on our discussion with the Assistant Executive Director and documentation provided, the OYAP Board of Trustees approved a Petty Cash policy effective December 5, 2000 which satisfied items two through five listed above, but did not specify the maximum amount of money to be designated in each petty cash account.

**OHIO YOUTH ADVOCATE PROGRAM, INC.
SUPPLEMENT TO REPORT ON AGREED-UPON PROCEDURES**

ISSUE 1-6	UNALLOWABLE RENTAL EXPENSE OF KING - NEIL PROPERTIES
------------------	---

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.⁸⁰

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 . . ." ⁸¹

Also, the Ohio Administrative Code provides that when completing ODJFS cost reports, "(c)ontributions, donations, or any outlay of cash with no prospective benefit to the facility or program" are considered unallowable. (Emphasis added)⁸²

NYAP diversified into property by purchasing various types of facilities to be used by its affiliated organizations, such as: residential facilities to expand its foster care/group home model; apartment buildings to expand the Independent Living programs; as well as office buildings to provide administrative office space to affiliates and other tenants.⁸³

NYAP purchased the properties located at 292-300 King Avenue and 1431-1437 Neil Avenue, Columbus Ohio. NYAP obtained mortgages on the properties and leased them to OYAP, and the mortgage amount became the basis for the monthly lease payment. There were no written lease agreements between OYAP and NYAP for the properties.

OYAP made payments to NYAP in the amount of the mortgage payments from September 1996 through May of 1999, which totaled \$132,152. Upon inquiry we were informed by management OYAP did not place tenants in the property, NYAP rented the first unit in 1999, and the property was not utilized as part of the foster care program.

In addition, the rental income generated by these properties did not go to NYAP or OYAP. The rental income was paid to a property management company to pay for renovations and property management costs. NYAP sold the property in December 2001 and according to management the property was sold because it was not profitable and was never used for the programmatic purposes intended.

⁸⁰ Office of Management and Budget (OMB) Circular A-122 "Cost Principles of Non-Profit Organizations," Attachment A, Paragraph A (2)(a) and (g).

⁸¹ OMB Circular A-122, Attachment A, Paragraph (A)(3)(a) through (c).

⁸² Ohio Admin. Code Section 5101:2-47-26(A)(6).

⁸³ National Youth Advocate Program, Inc. Audit Report, December 31, 1998, Nature of Activities and Summary of Significant Accounting Policies, Nature of Business.

**OHIO YOUTH ADVOCATE PROGRAM, INC.
SUPPLEMENT TO REPORT ON AGREED-UPON PROCEDURES**

The \$132,152 paid to NYAP did not provide goods or services to benefit the foster care program. Therefore the \$132,152 will be reported as unallowable federal questioned costs.

Federal Questioned Costs: \$132,152

The reimbursement claims submitted on ODHS 1925 (Title IV-E) Monthly FCM Invoice by PCSAs contracting with OYAP for foster care services included the \$132,152 in expenditures. These expenditures were unallowable costs as a result of violating OMB Circular A-122, Attachment A, Paragraph A(2)(a) and (g) and A(3)(a)-(c) and Ohio Admin. Code Section 5101:2-47-26(A)(6).

OYAP reported \$106,885 of these expenditures on the ODHS 2910 Purchased Family Foster Care Cost Reports and ODHS 2909 Residential Child Care Facility Cost Reports. As a result, these unallowable expenditures may have caused the overstatement of the Title IV-E maximum reimbursement rate and the overpayment of reimbursement claims. Federal questioned costs totaled \$132,152.

Management Comment:

ODJFS should develop policies and guidelines to ensure that PCPAs/PNAs clearly understand federal and state rules that limit the allowability of costs derived from less-than-arms-length transactions. In addition ODJFS should consider property transactions between affiliated organizations as an area of high risk and ensure that such transactions are adequately monitored for program compliance.

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 OYAP and if so seek appropriate remedy. ODJFS should assist the PCSAs in seeking recovery of the misspent funds by providing administrative and technical support as needed.

ISSUE 1-7	OYAP'S PAYMENT OF NYAP'S FEDERAL EXPRESS EXPENSES
------------------	--

Results:

Office of Management and Budget (OMB) Circular A-122 "Cost Principles of Non-Profit Organizations," requires that for a cost to be allowable under an award, costs must, among other factors be reasonable and adequately documented.⁸⁴ 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 .."⁸⁵

Ohio Admin. Code Section 5101:2-47-26(A)(6) states in pertinent part, "... any outlay of cash with no prospective benefit to the facility or program" is considered unallowable.

⁸⁴ Office of Management and Budget (OMB) Circular A-122 "Cost Principles for Non-Profit Organizations," Attachment A, Paragraph A (2)(a) and (g).

⁸⁵ OMB Circular A-122, Attachment A, Paragraph (A)(3)(a) through (c).

OHIO YOUTH ADVOCATE PROGRAM, INC.
SUPPLEMENT TO REPORT ON AGREED-UPON PROCEDURES

OMB Circular A-122, Attachment A, Paragraph A(4)(a) states in pertinent part, "A cost is allocable to a particular cost objective, such as a grant, contract, project, service, or other activity, in accordance with the relative benefits received..."

During our review we noted twenty-seven (27) expenditures, totaling \$1,351, in which OYAP paid Federal Express charges related to NYAP transactions. We asked for documentation to verify that these expenses were in fact on the behalf of OYAP or were reimbursed by NYAP, none was provided. The payments made by OYAP for Federal Express costs were not reasonable or adequately documented, and benefitted NYAP and the other state affiliates not OYAP.

Federal Questioned Costs: \$1,351

The reimbursement claims submitted on ODHS 1925 (Title IV-E) Monthly FCM Invoice by PCSAs contracting with OYAP for foster care services included the \$1,351 in expenditures. These expenditures were unallowable costs as a result of violating OMB Circular A-122, Attachment A, Paragraphs A(2)(a) and (g) and A(3)(a)-(c), Paragraph A(4)(a) and Ohio Admin. Code Section 5101:2-47-26(A)(6). Federal questioned costs totaled \$1,351.

OYAP reported \$1,182 of these expenditures 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 reimbursement claims.

Management Comment:

We recommend that the OYAP Board of Trustees establish accounting policies and procedures that equitably and accurately allocate shared expenses to the organization receiving the benefits. It is further recommended that management periodically monitor for continuous compliance. We further recommend that NYAP and the other state affiliates reimburse OYAP for costs paid on their behalf.

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 OYAP and if so seek appropriate remedy. ODJFS should assist the PCSAs in seeking recovery of the misspent funds by providing administrative and technical support as needed.

On December 12, 2002 we received a copy of a NYAP check dated December 10, 2002 payable to OYAP in the amount \$1,351 for the repayment of the federal questioned costs for the Federal Express expenses.⁸⁶

⁸⁶

The repayment of \$1,351 of federal questioned costs was reported as a credit against the management fees paid by OYAP in excess of costs (See Issue 1-3).

**OHIO YOUTH ADVOCATE PROGRAM, INC.
SUPPLEMENT TO REPORT ON AGREED-UPON PROCEDURES**

ISSUE 1-8	OFFICE SPACE FOR NYAP PAID FOR BY OYAP
------------------	---

Results:

Office of Management and Budget (OMB) Circular A-122 "Cost Principles of Non-Profit Organizations," requires that for a cost to be allowable under an award, costs must, among other factors be reasonable and adequately documented.⁸⁷

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 .."⁸⁸

OMB Circular A-122, Attachment A, Paragraph A(4)(a) states, "A cost is allocable to a particular cost objective, such as a grant, contract, project, service, or other activity, in accordance with the relative benefits received.

Ohio Admin. Code Section 5101:2-47-26(A)(6) states in pertinent part, ". . . any outlay of cash with no prospective benefit to the facility or program" is considered unallowable.

During our review of the Placement Agency's leases we noted the following:

- OYAP paid \$406,000 in lease payments for office space at 3780 Ridgemill Drive, Hilliard, Ohio, from 1996 through 2001 that benefitted both OYAP and NYAP. The Hilliard location was OYAP's headquarter and NYAP employees utilized two offices during this time period.
- During our review of the architectural plans, we noted that the two offices used by NYAP employees accounted for 427 square feet (9.7%) of the 4,402 square feet covered under the lease.
- Based on our discussion with the Property Manager, our review of the leases and other property documentation, we found NYAP did not pay property management costs until the beginning of 2000 nor its share of the lease expense for the space occupied by its employees. OYAP paid \$145,330 in property management costs from 1996 until the beginning of 2000.

OYAP paid \$551,330 for office space and property management at the Hilliard location from August 1996 through December 2001. NYAP's share of the office space expense was 9.7% of \$551,330 or \$53,964. We asked for documentation to verify that these expenses were reimbursed by NYAP, but none was provided. The payments made by OYAP for NYAP's office space were not reasonable and benefitted NYAP not OYAP.

⁸⁷ Office of Management and Budget (OMB) Circular A-122 "Cost Principles for Non-Profit Organizations," Attachment A, Paragraph A (2)(a) and (g).

⁸⁸ OMB Circular A-122, Attachment A, Paragraph (A)(3)(a) through (c).

**OHIO YOUTH ADVOCATE PROGRAM, INC.
SUPPLEMENT TO REPORT ON AGREED-UPON PROCEDURES**

Federal Questioned Costs: \$53,964

The reimbursement claims submitted on ODHS 1925 (Title IV-E) Monthly FCM Invoice by PCSAs contracting with OYAP for foster care services included the \$53,964 in expenditures. These expenditures were unallowable costs as a result of violating OMB Circular A-122, Attachment A, Paragraph A(2)(a) and (g) and A(3)(a)-(c), Paragraph A(4)(a) and Ohio Admin. Code Section 5101:2-47-26(A)(6). Federal questioned costs totaled \$53,964.⁸⁹

OYAP reported \$32,298 of these expenditures on the ODHS 2910 Purchased Family Foster Care Cost Reports and ODHS 2909 Residential Child Care Facility Cost Reports. As a result, these unallowable expenditures may have caused the overstatement of the Title IV-E maximum reimbursement rate and the overpayment of reimbursement claims.

Management Comment:

We recommend the OYAP Board of Trustees develop policies and procedures to ensure that costs are rationally allocated between OYAP and its affiliated organizations based on the benefit received.

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 OYAP and if so seek appropriate remedy. ODJFS should assist the PCSAs in seeking recovery of the misspent funds by providing administrative and technical support as needed.

ISSUE 1-9	UNSUPPORTED EXPENDITURES PAID BY OYAP
------------------	--

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.⁹⁰

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 .."⁹¹

⁸⁹ We have included questioned costs for the NYAP office space as a credit against any management fees paid by OYAP in excess of cost that may have been allocable to all affiliates (See Issues 1-3).

⁹⁰ Office of Management and Budget (OMB) Circular A-122, "Cost Principles of Non-Profit Organizations," Attachment A, Paragraph (A)(2)(a) and (g).

⁹¹ OMB Circular A-122, Attachment A, Paragraph (A)(3)(a) through (c).

OHIO YOUTH ADVOCATE PROGRAM, INC.
SUPPLEMENT TO REPORT ON AGREED-UPON PROCEDURES

The Purchase of Services Agreement establishes inspection and retention requirements for financial records. It states: "The Provider shall maintain financial records which sufficiently and properly reflect all direct and indirect costs expended in the performance of this agreement. Such records shall be available at all reasonable times for inspection, review or audit by duly authorized Department personnel or representatives."⁹² The agreement further states that "the Provider shall maintain and preserve all records related to this Agreement in its possession...for a period of not less than three (3) years."⁹³

Also, the Ohio Administrative Code provides that when completing ODJFS cost reports, "(c)contributions, donations, or any outlay of cash with no prospective benefit to the facility or program" are considered unallowable. (Emphasis added)⁹⁴

Numerous individuals were issued 1099s by OYAP, seventeen (17) for 1998 and twenty-eight (28) for 1999. We requested that OYAP provide documentation such as time and billing records, project status reports, correspondence and work products that would enable us to determine that the individuals provided services that would be an allowable cost to the foster care program. The agency provided supporting documentation for fifteen (15) individuals for 1998 and twenty-five (25) individuals for 1999. No additional information was provided.

OYAP did not provide sufficient documentation to enable us to determine whether the \$3,963 paid to two individuals in 1998 and the \$3,145 paid to three individuals in 1999 were allowable costs to the foster care program. Therefore the payments of \$7,108 will be reported as an undocumented federal questioned costs.

Federal Questioned Costs: \$7,108

The reimbursement claims submitted on ODHS 1925 (Title IV-E) Monthly FCM Invoice by PCSAs contracting with OYAP for foster care services included the \$7,108 in expenditures. OYAP was unable to provide us documentation to adequately demonstrate the programmatic purposes of \$7,108 of those expenditures as required by Section 14 and 15 of its contract with CCDCFS and OMB Circular A-122⁹⁵ and Ohio Admin. Code Section 5101:2-47-26(A)(6). Federal questioned costs totaled \$7,108.

Management Comment:

We recommend the OYAP Board of Trustees establish and implement a policy that requires contracts to be executed for professional or contracted services. The policy should also establish the individual or position responsible for signing the contract and consider a threshold at which the Board of Trustees' approval would be required. In addition, OYAP should immediately comply with documentation requirements of Article III, Sections 14 and 15 of its contract with CCDCFS and OMB Circular A-122⁹⁶

⁹² Section 14, Financial Records, Purchase of Services Agreement, dated 3/18/98, pg. 23.

⁹³ Section 15, Availability and Retention of Records, Purchase of Services Agreement dated 3/18/98, pg. 23.

⁹⁴ Ohio Admin. Code Section 5101:2-47-26(A)(6).

⁹⁵ 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).

⁹⁶ Office of Management and Budget (OMB) Circular A-122 "Cost Principles for Non-Profit Organizations," Attachment A, Paragraph A (2)(a) and (g).

**OHIO YOUTH ADVOCATE PROGRAM, INC.
SUPPLEMENT TO REPORT ON AGREED-UPON PROCEDURES**

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 OYAP and if so seek appropriate remedy. ODJFS should assist the PCSAs in seeking recovery of the misspent funds by providing administrative and technical support as needed.

ISSUE 2	TEST OF FUNDING RECEIVED FROM PUBLIC SOURCES
----------------	---

Objective:

To determine whether all receipts and deposits from the applicable public children services agencies to OYAP 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 OYAP 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 Cuyahoga 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 CCDCFS 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 OYAP received as program service fees from various counties, grants and gifts, employee lease reimbursement and investment income. We obtained documentation from the County Auditor to determine the completeness of the receipts from CCDCFS. Furthermore, we determined that all CCDCFS disbursements to OYAP were receipted, deposited, and recorded in its accounting records.

ISSUE 3	TEST OF PAYMENTS TO FOSTER PARENTS
----------------	---

Objectives:

1. To determine whether Title IV-E maintenance funds received by OYAP were used in accordance with the Social Security Act.
2. To determine whether OYAP per diem payments to the foster parents were in accordance with the authorized schedule of per diem rates.
3. To determine the ratio of the per diem payments used for administration and maintenance.

**OHIO YOUTH ADVOCATE PROGRAM, INC.
SUPPLEMENT TO REPORT ON AGREED-UPON PROCEDURES**

Procedures Performed:

1. We obtained from Cuyahoga County Department of Children and Family Services, the ODHS Title IV-E Disbursement Journals detailing the federal reimbursement to Cuyahoga County Department of Children and Family Services for the months of January 1998 to June 1999 for foster care services. We also obtained from the Cuyahoga County Auditor a vendor payment history report for OYAP for the same period and traced these payments to the invoices submitted by OYAP.
2. We selected a representative sample of children identified by CCDCFS as Title IV-E eligible children being serviced by OYAP. Federal maintenance payments to these children totaled \$289,484 or 47% of the sample.
3. We found the child's name on the appropriate month's ODHS Title IV-E Disbursement Journal. We documented the amount of federal maintenance reimbursement that would have been paid for each child.
4. We compared payments received by OYAP from CCDCFS to the corresponding OYAP billing in the month selected for each child in the sample.
5. We determined whether the total amount of the federal reimbursement for maintenance (58%) was used for the care of the foster child.
6. We determined whether the total amount of the county's required match to the federal reimbursement for maintenance (42%) was used for the care of the foster child.
7. We obtained the contracts or per diem agreements between the OYAP and the foster parent for each child in the sample.
8. We obtained and compared the authorized schedule of per diem rates to rates paid per the agreements between OYAP and CCDCFS and between OYAP and foster caregivers.
9. We compared the OYAP per diem paid to the foster parents with the corresponding per diem it received from CCDCFS to determine the ratio of payments for administration and maintenance.

ISSUE 3-1	ODJFS SYSTEMIC MISCLASSIFICATION OF COSTS RESULTS IN OVER PAYMENT OF THE TITLE IV-E MAINTENANCE REIMBURSEMENT
------------------	--

Results:

Payments for foster care maintenance are intended 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.⁹⁷

⁹⁷ 42 U.S.C. Section 675 (4)(A).

**OHIO YOUTH ADVOCATE PROGRAM, INC.
SUPPLEMENT TO REPORT ON AGREED-UPON PROCEDURES**

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 payments⁹⁸ made to the PCPAs and PNAs. In 1998, the FFP was 58% for maintenance payments⁹⁹ made and 50% for administrative costs¹⁰⁰ incurred under the Title IV-E program.

We selected a sample of 322 children eligible for Title IV-E federal maintenance reimbursements. We found that the PNA billed and CCDCFS submitted \$621,456 to ODJFS for reimbursement. ODJFS did not require the Placement Agency to specifically identify the amounts for maintenance and administration. ODJFS then requested FFP for foster care maintenance costs of \$499,111 and received \$289,484 at the 58% FFP reimbursement rate, however the Placement Agency only made maintenance payments to foster parents totaling \$286,923. The remaining \$212,188 was retained by OYAP and used for administrative costs or other purposes.

The table below documents the amount of federal questioned cost and overpayment of the Title IV-E federal maintenance reimbursement.

**Table IV
Overpayment of Title IV-E Maintenance Reimbursement**

Amount Paid to PCSA for Reimbursement of Maintenance Costs (Federal Financial Participation)	\$289,484
Required PCSA Match for Federal Financial Participation	209,627
Total Title IV-E Maintenance Claimed by ODJFS	499,111
Amount Paid by PNA to Foster Parents for Maintenance	(286,923)
Overstatement of Maintenance Claim	\$212,188

Projected Questioned Cost:

We specifically identified \$212,188 of questioned costs in our sample. In order to evaluate the potential effect of questioned costs caused by systemic problems in ODJFS' cost reporting, rate setting and cost reimbursement processes, we estimated the total likely questioned cost.

⁹⁸ 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.

⁹⁹ 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.

¹⁰⁰ 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.

**OHIO YOUTH ADVOCATE PROGRAM, INC.
SUPPLEMENT TO REPORT ON AGREED-UPON PROCEDURES**

ISSUE 3-2	RATIO OF PAYMENT FOR ADMINISTRATION AND MAINTENANCE
------------------	--

Results:

We tested the payments from Cuyahoga County Department of Children and Family Services (CCDCFS) to OYAP for a sample of 542 foster children. The payments to the Placement Agency for this sample totaled \$997,571. We noted that the Placement Agency received the correct per diem rates noted in the CCDCFS contract.

The foster parents in the sample received \$467,054, and we noted 365 (67%) foster parents received the correct per diem rates per the CCDCFS contract while 177 (33%) did not (See Issue 3-3 Foster Parent Payment). Of the \$997,571 received from CCDCFS by the Placement Agency the foster parents received \$467,054 or 47% of the total funds paid to the Placement Agency by CCDCFS. The remaining \$530,517 or 53% was retained by OYAP 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 3-3	FOSTER PARENT PAYMENT
------------------	------------------------------

Results:

The contract between Cuyahoga County Department of Children and Family Services and OYAP sets forth minimum daily payments which must be made to foster parents, for specified services.¹⁰⁴

In 177 (33%) of the 542 transactions tested, OYAP did not pay the foster parents the minimum per diem rates required by the contract in the amount \$14,439.

Management Comment:

OYAP's Board of Trustees should adopt and pay per diem rates to the foster parents in accordance with contract requirements. It is further recommended that OYAP implement procedures for an effective system for monitoring to ensure that the policies are in place and working properly and to ensure compliance with Ohio Revised Code and contract agreement requirements.

Furthermore, CCDCFS should determine whether the exceptions noted in this issue constitute a breach of its contract with OYAP and if so seek an appropriate remedy.

¹⁰⁴ Cost and Delivery of Purchased Services, Purchase of Services Agreement, dated 3/18/98.

**OHIO YOUTH ADVOCATE PROGRAM, INC.
SUPPLEMENT TO REPORT ON AGREED-UPON PROCEDURES**

ISSUE 3-4	TITLE IV-E ENTRY AND EXIT DATES
------------------	--

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 542 placement dates recorded by CCDCFS and the PCPA/PNA and found 122 dates (22%) in which the records did not agree. Inaccurate information about the dates children are placed in the care of PCPA/PNAs could result in inappropriate administrative decisions and incorrect payments to the PCPA/PNAs.

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 CCDCFS 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
----------------	----------------------------------

Objectives:

1. To identify 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.
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.

**OHIO YOUTH ADVOCATE PROGRAM, INC.
SUPPLEMENT TO REPORT ON AGREED-UPON PROCEDURES**

ISSUE 4-1	BOARD OF TRUSTEES OVERSIGHT RESPONSIBILITIES
------------------	---

Results:

The OYAP Board of Trustees should provide effective oversight over all significant financial and operational transactions as part of their duties as the governing board of the entity. This practice will better ensure that the Agency adheres to acceptable financial and business practices in compliance with program requirements.

In addition, 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."

OYAP was involved in a series of significant related party transactions with National Youth Advocate Program, its parent organization. We found that the Board of Trustees of OYAP and NYAP did not provide effective oversight that would control financial self-dealing through less-than-arms-length transactions which could affect OYAP's fiscal accountability and compliance with applicable rules and regulations. We found the following:

1. NYAP and the other state affiliates, (including OYAP) are separate entities but share common board members. The membership of NYAP elects two Board of Trustees to OYAP as well as the other state affiliates located in Georgia, Indiana, Illinois, Kansas, South Carolina, and West Virginia.
2. All the state affiliates including OYAP entered into an affiliation agreement with NYAP. OYAP paid management fees in the amounts of \$1,522,946, \$1,582,535, and \$1,894,784, during 1997, 1998 and 1999 respectively¹⁰⁵ Between 1983 and 1997 management services were also provided to the affiliates, however, there was not a written affiliation agreement. (See Issue 1-3 Management Fees Paid to NYAP in Excess of Allocated Costs).
3. OYAP subsidized the 1998 National Conference to a greater extent than any other affiliate prior to or subsequent to the 1998 National Conference. Many of the costs incurred were excessive due to the magnitude and the celebration of the 20th anniversary. (See Issue 1-2 Excessive Conference Expenses).
4. During our testing we noted that NYAP purchased properties throughout Ohio, obtained mortgages on these properties, and leased them to OYAP. NYAP, then leased these properties to OYAP for the amount of the monthly mortgage payment. We found that OYAP had entered into written lease agreements with unrelated third parties for property but not NYAP. Management acknowledged that it did not have a lease agreement for all properties prior to the year 2000. (See Issue 1-6 Unallowable Rental Expense for King-Neil Properties).

¹⁰⁵ Ohio Youth Advocate Program, Inc. , Audit Report, December 31, 1998 and 1999, Notes to Financial Statement, Note 4.

**OHIO YOUTH ADVOCATE PROGRAM, INC.
SUPPLEMENT TO REPORT ON AGREED-UPON PROCEDURES**

5. OYAP had a practice of purchasing fixed assets and then transferring ownership to NYAP without consideration. This occurred during the Period and at least as far back as 1996 according to the audited financial statements. At the May 19, 2001 NYAP meeting of the Board of Trustees a motion was made and passed that "furniture and equipment (is) to become the property of each affiliate and to be reported on each affiliate's audit." We received documentation showing that fixed assets totaling \$1,484,134 and \$735,742 in accumulated depreciation, with a net book value of \$748,392, was transferred from NYAP to OYAP on April 30, 2001.
6. Both OYAP and NYAP had offices located at OYAP's headquarters, at 3780 Ridge Mill Drive in Hilliard, Ohio. OYAP paid for the office space utilized by NYAP (See Issue 1-8 Office Space For NYAP Paid For by OYAP).
7. During our review we noted OYAP paid Federal Express expense for NYAP to send packages to other states at OYAP's expense. Those payments made by OYAP for Federal Express costs were not reasonable, adequately documented, and benefitted NYAP and the other state affiliates not OYAP. (See Issue 1-7 OYAP's Payment of NYAP's Federal Express Expenses).
8. The OYAP Board of Trustees did not authorize a petty cash fund nor the policies or procedures relating to a petty cash account, such as its size, purpose, types of allowable expenses, who is authorized to use the account, or the manner in which the account was to be replenished. OYAP's petty cash funds were maintained in the NYAP Assistant Director's personal checking account and commingled with her personal funds. The Assistant National Director had complete access to this account as did the administrative assistant and secretary of the Emergency Shelter Care program. There were no procedures in place to determine accountability. (See Issue 1-5 Commingled Petty Cash and Unexplained Shortages).
9. All inter-company financial transactions were considered related party transactions and subject to Ohio Admin. Code Section 5101:2-5-08(G) which require all goods and/or services must be provided at a competitive cost or terms favorable to OYAP. Documentation was not provided to document the OYAP Board of Trustees' consideration of the significance of the related party financial transactions, nor compliance with the section of code.

NYAP exercised great control over the decisions and finances of OYAP and all the state affiliates. The lack of effective oversight by the Boards of NYAP and OYAP results in a high risk that the related party transactions may be in violation of Ohio Admin. Code Section 5101:2-5-08(G).

Management Comment:

We recommend the OYAP Board of Trustees provides guidance to management on the types of financial, administrative and policy decisions which require board approval, at a minimum this guidance should include all activities for which the Ohio Administrative Code addresses.

In order to effectively execute oversight of Placement Agency management, members of the OYAP Board of Trustees should be independent of the management team it appoints. The OYAP Board of Trustees could include professionals knowledgeable in the area of foster care and a cross section of business professionals in the community that do not have a direct or indirect financial interest in the Placement Agency. Furthermore, ODJFS should revise its administrative rules by including policies and procedures that would result in a higher level of board objectivity and financial accountability.

In addition ODJFS should consider board independence and oversight as an area of high risk and develop policies and guidelines to ensure that such transactions are adequately monitored for program compliance.

**OHIO YOUTH ADVOCATE PROGRAM, INC.
SUPPLEMENT TO REPORT ON AGREED-UPON PROCEDURES**

ISSUE 4-2	TRANSFER OF FUND BALANCES IN EXCESS OF \$50,000
------------------	--

Results:

OMB Circular A-122, Attachment A, Paragraph(A)(3)(a) states, in pertinent part: “. . .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...”

Furthermore, OMB Circular A-122, Attachment B, Paragraph 9 states, “Contributions and donations by the organizations to others are unallowable.”

Section 2, Paragraph 3 of the affiliation agreement stated that “At the end of each fiscal year all fund surpluses of State YAP (OYAP) in excess of \$50,000, shall be transferred to NYAP. State YAP (OYAP) shall apply the remaining \$50,000, or any lesser surpluses if the fund surplus for any fiscal year is less than \$50,000, only to developmental programs initiated by State YAP (OYAP) and approved by NYAP. The foregoing shall not apply to funds raised through special, designated fund raising activities of State YAP (OYAP) which have been approved in advance by NYAP. Such funds shall remain with State YAP (OYAP) to be used for the purposes for which they were raised.”

In a response received on July 31, 2001, Rick Blickendorfer, former NYAP CFO, stated: “This policy has not changed (nor has it been implemented) and exists to encourage NYAP affiliates to expend all available funds on youth services (as opposed to hoarding). Hoarding has not been a problem in recent memory so the policy is largely moot.”

This policy, if implemented at a future date, would generate a contribution or donation of cash to another organizations and would be a violation of OMB Circular A-122, Attachment A, Paragraph (A)(3)(a) and Attachment B, Paragraph 9.

Management Comment:

OYAP’s Board of Trustees should not include this policy in any future management agreements with NYAP.

Furthermore, all PCSA prior to purchasing placement services from the Placement Agency should review the PCPA/PNAs contracts with affiliated organizations for management and other services to ensure they do not result in unallowable costs billed to the PCSA.

ISSUE 4-3	TRANSFER OF FIXED ASSETS PURCHASED BY OYAP TO NYAP WITHOUT CONSIDERATION
------------------	---

Results:

45 C.F.R. Section 74.34(a) states, “Title to equipment acquired by a recipient with HHS funds shall vest in the recipient, subject to the conditions of this section.”

OMB Circular A-122, Attachment B, Paragraph 9 states, “Contributions and donations by the organizations to others are unallowable.”

**OHIO YOUTH ADVOCATE PROGRAM, INC.
SUPPLEMENT TO REPORT ON AGREED-UPON PROCEDURES**

At December 31, 2000 OYAP's fixed asset subsidiary ledger noted fixed assets totaling \$1,453,995. OYAP'S 1998 audited financial statements stated in pertinent part, "Ownership of all property and equipment, and the associated capital leases, rests with National Youth Advocate Program....Current equipment and building improvement purchases are expensed as incurred and transferred to NYAP at cost. Equipment purchases for 1998 were \$45,291."¹⁰⁶ OYAP's 1998 audited Statement of Financial Position did not include a line item for property and equipment.

Review of the 1998 ODHS 2910 Purchased Family Foster Care Cost reports and ODHS 2909 Residential Child Care Facility Cost Report indicated that \$36,817 of the \$45,291 in equipment purchased in 1998 was included on these cost reports while the balance of \$8,474 was capitalized.

Section 3, Part 1(e) of the December 5, 1997 affiliation agreement between NYAP and OYAP states, "Upon termination of this agreement for any reason, State YAP after liquidation of its preexisting debts and obligations, shall assign or convey to NYAP all of the funds, receivables and equipment then in its possession."

The practice of OYAP purchasing fixed assets and then transferring ownership to NYAP without consideration occurred during the Period and at least as far back as 1996 according to the audited financial statements. These transfers were contributions or donations to another organizations and would be considered a violation of OMB Circular A-122, Attachment B, Paragraph 9.

At the May 19, 2001 NYAP meeting of the Board of Trustees a motion was made and passed that "furniture and equipment (is) to become the property of each affiliate and to be reported on each affiliate's audit." We received documentation showing that fixed assets totaling \$1,484,134 and \$735,742 in accumulated depreciation, with a net book value of \$748,392, was transferred from NYAP to OYAP on April 30, 2001.

Management Comment:

OYAP's Board of Trustees should amend the affiliation agreement and eliminate Section 3, General Provisions, Part 1(e) to ensure that they are in compliance with the applicable federal requirements.

ISSUE 4-4	QUESTIONABLE EXPENDITURES REPAID BY NYAP DURING THE AUDIT
------------------	--

Results:

Office of Management and Budget (OMB) Circular A-122 "Cost Principles of Non-Profit Organizations," requires that for a cost to be allowable under an award, costs must, among other factors be reasonable and adequately documented.¹⁰⁷ 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.

¹⁰⁶ Ohio Youth Advocate Program, Inc. Audit Report, December 31, 1998, Notes to Financial Statement, Note 2 - Property and Equipment.

¹⁰⁷ Office of Management and Budget (OMB) Circular A-122 "Cost Principles for Non-Profit Organizations," Attachment A, Paragraph A (2)(a) and (g).

**OHIO YOUTH ADVOCATE PROGRAM, INC.
SUPPLEMENT TO REPORT ON AGREED-UPON PROCEDURES**

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 ..”¹⁰⁸

Ohio Admin. Code Section 5101:2-47-26(A)(6) states in pertinent part, “. . .any outlay of cash with no prospective benefit to the facility or program” are considered unallowable.”

During our review we noted that OYAP routinely paid expenditures for NYAP. OYAP paid NYAP \$10,086 in January 1998 for various expenditures noted on Marvena Twigg’s American Express credit card. We scanned the credit card statements and identified \$10,086 that did not appear to be allowable costs to the foster care program. We asked management to tell us how these costs related to the foster care program. NYAP did not respond, but repaid these funds to OYAP on August 1, 2000 during the course of the audit. We also noted that OYAP paid for printing services which were billed and paid for in August and December 1998 for NYAP in the amount of \$12,949. We asked management how these costs were related to the foster care program. NYAP did not respond, but reimbursed OYAP for these expenditures in July 2002 during the course of the audit.

Although the NYAP repaid these amounts OYAP reported \$15,571 of the \$23,035 questionable expenditures on its ODHS 2910 Purchased Family Foster Care Cost Report. As a result, these unallowable expenditures may have caused the overstatement of the Title IV-E maximum reimbursement rate and the overpayment of reimbursements claimed.

Management Comment:

We recommend that OYAP develop policies and procedures to ensure that costs are equitably and accurately allocated between OYAP and NYAP for shared resources or expenditures in a timely manner. It is further recommended that management periodically monitor for continuous compliance.

OYAP was in violation of OMB Circular A-122, Attachment A, Paragraph A(2)(a) and (g), Attachment A, Paragraph A (3)(a) through (c), and Ohio Admin. Code Section 5101:2-47-26(A)(6) in the amount of \$23,035 which could adversely affect the Title IV-E rate setting process. ODJFS should adjust the reported cost by the amount overstated, recalculate the Title IV-E reimbursement rate, and determine if the cost resulted in an over reimbursement.

¹⁰⁸ OMB Circular A-122, Attachment A, Paragraph (A)(3)(a) through (c).

**OHIO YOUTH ADVOCATE PROGRAM, INC.
SUPPLEMENT TO REPORT ON AGREED-UPON PROCEDURES**

ISSUE 4-5	ACCOUNTING POLICIES AND PROCEDURES
------------------	---

Results:

Adequately designed and documented accounting policies and procedures enhances the reliability of the agency's financial reporting and better ensures compliance with applicable laws, regulations, and contracts. During our audit, OYAP was not able to provide us with any written policies for the usage of company credit cards, retention of records, and fixed assets. The OYAP Board of Trustees did approve a records retention policy on October 3, 2000. The lack of written policies and procedures is an internal control weakness that if corrected would strengthen financial accountability and legal compliance.

Management Comment:

We recommend the OYAP Board of Trustees develop and implement written accounting policies and procedures that incorporate the applicable federal, state, and county compliance requirements.

ISSUE 4-6	FIXED ASSET POLICY
------------------	---------------------------

Results:

A comprehensive written fixed asset policy would increase the Placement Agency's ability to properly account for its fixed assets, and ensure they are adequately safeguarded from loss, theft or unauthorized use.

Based on inquiry and observation the Placement Agency did not have a written fixed asset policy. The Placement Agency relied upon its external auditors to calculate the fixed asset balances and related depreciation expense and accumulated depreciation reported in the financial statements.

The lack of a written fixed asset policy could lead to the unauthorized acquisition, use or disposition of fixed assets and material financial statement misstatements. The Placement Agency was not aware of the benefits of having a fixed asset policy.

Management Comment:

We recommend the OYAP Board of Trustees develop and implement a fixed asset policy that, at a minimum, provides guidance on the following:

1. The types of fixed asset records to maintain, such as a detailed listing of plant, property and equipment or a current professional appraisal of assets. The list should include beginning balances, additions, deletions (including gains or losses on sales), transfers, ending balances and depreciation expense and accumulated depreciation (where applicable).
2. Categories of fixed assets include land, land improvements, buildings and structures, machinery, equipment, furniture, tools, donated assets and leasehold and leasehold improvements.
3. Basis for valuing assets at either the cost or estimated historical cost and capitalization thresholds which establishes the criteria for when expenditures should be capitalized excluding repairs and maintenance.

**OHIO YOUTH ADVOCATE PROGRAM, INC.
SUPPLEMENT TO REPORT ON AGREED-UPON PROCEDURES**

4. Depreciation and amortization method, such as straight line over the useful lives of the assets and salvage values, procedures for the depreciation of additions and retirements, and the accounting for fully depreciated assets.
5. Annual fixed asset inventory by visually comparing the asset and the information on the detailed fixed asset listing.
6. Authorized use of its assets, such as a log noting date, person, purpose and location for the use of the asset.

This would promote the consistent treatment of similar assets, safeguard them from theft or misuse and improper and accurate reporting of the fixed assets and related depreciation on the financial statements.

ISSUE 4-7	AUDIT COMMITTEE
------------------	------------------------

Results:

The Audit Committee is essential to enhancing the credibility of the Placement Agency's financial reporting by ensuring the reliability of the audit.

Generally accepted auditing standards require that auditors communicate the following information to an audit committee:

- The auditors' professional responsibility under generally accepted auditing standards;
- Selections of accounting standards;
- Sensitive accounting estimates;
- Significant audit adjustments;
- Disagreements with management;
- Difficulties encountered in performing the audit.

OYAP did not have an audit committee. A well functioning audit committee would better ensure the independence and objectivity of the independent public accountant in addition to making sure the OYAP Board of Trustees are aware of deficiencies in internal controls and noncompliance with laws and regulations.

Management Comment:

We recommend the OYAP Board of Trustees establish an audit committee. An audit committee could strengthen board oversight by performing the following functions:

- Periodically review the process used to prepare interim financial information submitted to the Board of Trustees;
- Review and evaluate audit results;
- Assure that audit recommendations are appropriately addressed;
- Assure auditors' independence from management; and
- Serve as liaison between management and independent auditors.

**OHIO YOUTH ADVOCATE PROGRAM, INC.
SUPPLEMENT TO REPORT ON AGREED-UPON PROCEDURES**

The audit committee should include persons knowledgeable of the Placement Agency's operations and in finance and management. The audit committee should meet regularly (perhaps quarterly) to monitor the Placement Agency's financial reporting and internal control activities, and should meet with its independent auditors before and after each audit.

As of December 18, 2001 the OYAP Board of Trustees approved the creation of an audit committee "...to review, recommend compliance with all financial standards of the state and contracting agencies."

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

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 OYAP were used in accordance with the Social Security Act.
5. To determine whether the ODHS 2910 Purchased Family Foster Care Cost Report(s) submitted to ODJFS by OYAP 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 noncompliance 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 arrangements; 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.

**OHIO YOUTH ADVOCATE PROGRAM, INC.
SUPPLEMENT TO REPORT ON AGREED-UPON PROCEDURES**

ISSUE 5-1	AGREED UPON PLACEMENTS IN FAMILY FOSTER HOME
------------------	---

Results:

Ohio Admin. Code Section 5101:2-7-13(C) states that “The determination of the specific number, age, and sex of children to be placed in a particular family foster home is a joint responsibility of the foster caregiver and the recommending agency based on the agency’s assessment of the foster caregiver’s capability and physical facilities as required by this chapter.”

Ohio Admin. Code Section 5101:2-5-18(E) states: “A request for a waiver of the requirements or prohibitions imposed by Chapter 5101:2-7 of the Administrative Code and related provisions of Chapter 5101:2-5 of the Administrative Code shall be written using ODHS 1317 “Recommendation for Certification/Recertification of a Family Foster Home” and submitted to the children services licensing section, ODHS.”¹⁰⁹

During our review it was noted that four out of thirty (13%) family foster home files tested had placements of foster children that did not coincide with the agreed upon placement between the agency and the foster caregiver, such as the designated number of children, age, and sex of children to be placed in the respective foster home. There was no evidence that a waiver was requested.

Failure to comply with Ohio Administrative Code regulations that govern foster parent placements could potentially result in a child being placed in an unsuitable environment, thereby, putting the child at risk.

Management Comment:

We recommend the OYAP Board of Trustees ensure all placements are in accordance with the agreement between the agency and foster home. We further recommend that the ODJFS licensing specialists follow up on this issue and take steps to ensure continuous compliance.

ISSUE 5-2	COMPLETE AND ACCURATE INFORMATION ON APPLICATIONS
------------------	--

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 OYAP did not document the verification of income in twenty out of thirty (67%) of the family foster home files reviewed. In addition six out of thirty (20%) of the family foster home files reviewed did not document the verification of employment.

Failure to verify the completeness and accuracy of information on the Family Foster Home Application and homestudy 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.

¹⁰⁹ Prior to 5/1/98, these provisions were recited in Ohio Admin. Code Sections 5101:2-5-18(D). This section of code was amended 5/1/98 (moving the 1317 requirement to (E) and was again amended 7/1/00; however, the changes did not make substantial changes to the requirement.

**OHIO YOUTH ADVOCATE PROGRAM, INC.
SUPPLEMENT TO REPORT ON AGREED-UPON PROCEDURES**

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 5-3	INITIATION OF THE HOMESTUDY PRIOR TO THE RECEIPT OF A COMPLETED APPLICATION
------------------	---

Results:

Ohio Admin. Code Section 5101:2-5-20(C) provides, "An agency shall use ODHS 1691 for all initial family foster home applications and for the simultaneous approval of an applicant for adoptive placement.

- (1) 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.
- (2) An agency shall require that an application be made in the full name of each adult member of a couple, a single person, or each co-parent.
- (3) An agency shall not accept more than one application per household.
- (4) An agency shall not begin a family foster home homestudy prior to the receipt of a completed ODHS 1691."

The criminal record check is a required part of the homestudy process, which should not be started until the completion of a ODHS 1691, the application for a family foster home certificate.

Fourteen out of thirty (47%) family foster home files reviewed documented that the homestudy which included Bureau of Criminal Identification (BCII) and/or the Federal Bureau of Investigation (FBI) checks, fire inspections, or medical examinations were initiated and/or concluded prior to the completion of an application for certification as a family foster home.

Management Comment:

OYAP should comply with ODJFS rules intended to ensure a thorough and complete foster home homestudy is completed prior to licensing. We further recommend that the ODJFS licensing specialists follow up on this issue and take steps to ensure continuous compliance.

ISSUE 5-4	CHANGE IN OCCUPANCY WITHOUT NOTIFICATION
------------------	--

Results:

Ohio Admin. Code Section 5101:2-7-14(A) provides: "A foster caregiver shall notify the recommending agency in writing prior to allowing any person to reside for more than two weeks in the foster home."

Our review found that in two out of thirty (7%) family foster home files tested the Placement Agency did not document when the foster caregiver notified the Placement Agency that another adult was residing in the family foster home for more than two weeks.

**OHIO YOUTH ADVOCATE PROGRAM, INC.
SUPPLEMENT TO REPORT ON AGREED-UPON PROCEDURES**

Failure to notify the Placement Agency increases the risk that unsuitable individuals may reside in the foster home and cause undue emotional or physical harm to foster children.

Management Comment:

We recommend the OYAP Board of Trustees adopt and implement policies and procedures to obtain, document and evaluate the change in occupancy within the family foster home within the specified period. We further recommend that ODJFS licensing specialists follow up on the issue and take steps to ensure continuous compliance.

ISSUE 5-5	FAMILY FOSTER HOME RECORDS
------------------	-----------------------------------

Results:

Ohio Admin. Code Section 5101:2-5-29 provides, in pertinent part: "(A) Any agency shall create a separate record for each family foster home. (B) All documentation required by Chapters 5101:2-5 and 5101:2-7 of the Administrative Code shall be contained in the individual family foster home record pursuant to paragraph (A) of this rule."

Four out of thirty (13%) family foster home files had documentation that was located in a filing cabinet separate from the individual foster home record.

Failure to comply with this provision could result in an unsuitable placement that does not best meet the needs of the foster child.

Management Comment:

OYAP should comply with ODJFS rules intended to ensure a thorough and complete family foster home record is maintained. We further recommend that the ODJFS licensing specialists follow up on this issue and take steps to ensure continuous compliance.

ISSUE 5-6	NOTICE OF EXPIRATION AND RE-APPLICATION FOR A FAMILY FOSTER HOME CERTIFICATE
------------------	---

Results:

Ohio Admin. Code Section 5101:2-5-24(A) states, "Not less than ninety or more than one hundred twenty calendar days prior to the expiration date of the family foster home certificate the agency should notify the caregiver of the date of expiration of the certificate, by using ODHS 1331 "Notice of Expiration and Re-application for a Family Foster Home Certificate."

In two of the thirty (7%) family foster home files reviewed the Form 1331 "Notice of Expiration and Re-application for a Family Foster Home Certificate" was sent by OYAP to the family foster home less than ninety days prior to the expiration date of the family foster home certificate.

Failure to provide timely notification could result in noncompliance of recertification requirements causing the family foster home certificate to expire.

**OHIO YOUTH ADVOCATE PROGRAM, INC.
SUPPLEMENT TO REPORT ON AGREED-UPON PROCEDURES**

Management Comment:

OYAP's Board of Trustees should develop policies and procedures to ensure the agency provides and receives the ODHS 1331 "Notice of Expiration and Re-application for a Family Foster Home Certificate" within the prescribed time frame so that the family foster home certificate does not expire. We further recommend that the agency establish a system of monitoring controls to ensure continuous compliance.

ISSUE 6	TEST OF MEDICAID BILLINGS
----------------	---------------------------

Objective:

To determine if Medicaid billings at OYAP were properly billed to the program.

Procedures Performed:

1. We determined if billing was submitted in the correct manner to the Medicaid program by analyzing a sample of payments in ODJFS's Medicaid Management Information System (MMIS) for calendar year 1998.
2. We determined if OYAP received medicaid reimbursement in compliance with Ohio Administrative Code Sections 5101:3-4-02, 5101:3-4-29(D) and 5101:3-4-29(G).

ISSUE 6-1	UNALLOWABLE MEDICAID SERVICES
------------------	-------------------------------

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 of undocumented billings.

During 1998, OYAP had a contract with the Cuyahoga County Community Mental Health Board (CCCMHB) to provide Medicaid services.¹¹⁰ Ohio Admin. Code Section 5122:2-3-02(A) provides, in pertinent part, "Each community mental health agency shall maintain a complete and adequate ICR [Integrated Client Record] for each client which shall include, but not be limited to, the following...(9) Progress notes."

In our testing of Medicaid billings at OYAP we requested documentation for 308 transactions, 189 service units, totaling \$12,379. OYAP was unable to provide us with progress notes for 19 transactions totaling \$691. Undocumented and unallowable medicaid reimbursement amounted to \$691.

¹¹⁰ Services between CCCMHB and OYAP, for the period July 1, 1997 through June 30, 1998, dated 7/9/98.

**OHIO YOUTH ADVOCATE PROGRAM, INC.
SUPPLEMENT TO REPORT ON AGREED-UPON PROCEDURES**

Federal Questioned Costs: \$691

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.¹¹¹ By failing to maintain progress notes for \$691 in medicaid reimbursements. OYAP was in violation of Ohio Admin. Code Section 5122:2-3-02(A)(9) in the amount of \$691. The federal questioned costs totaled \$691.

Management Comment:

OYAP did not adhere to Ohio Admin. Code Section 5122:2-3-02(A)(9) regarding documentation of unallowable and undocumented billings in the amount of \$691. We recommend the OYAP Board of Trustees develop a corrective action plan to ensure continuous compliance.

ISSUE 7	TEST OF MEDICAID SERVICES
----------------	----------------------------------

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

Procedures Performed:

1. We determined if OYAP performed the required monitoring in compliance with Ohio Administrative Code Section 5101:3-4-02.
2. We determined if services were being performed on the dates billed for by OYAP.
3. We determined if qualified personnel were providing the required service.
4. We determined if the required medicaid reports are being signed by the required individual.

ISSUE 7-1	UNDOCUMENTED MEDICAID SERVICES
------------------	---------------------------------------

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 of undocumented billings.

During 1998, OYAP had a contract with the Cuyahoga County Community Mental Health Board (CCCMHB) to provide Medicaid services.¹¹² Ohio Admin. Code Section 5122:2-3-02(A) provides, in pertinent part: “Each community mental health agency shall maintain a complete and adequate ICR (integrated client record) for each client which shall include, but not be limited to, the following...(9) progress notes.” Ohio Admin. Code Section 5122:2-3-02(B)(2) further provides, in pertinent part, “Each form, report, or entry in the ICR shall contain the following information:... (2) Appropriate signatures and dates.”

¹¹¹ OMB Circular A-122 “Cost Principles of Non-Profit Organizations”, Attachment A, Paragraph A(2)(g).

¹¹² Service Provider Contract between CCCMHB and OYAP, for the period July 1, 1997 through June 30, 1998, dated 7/9/98.

**OHIO YOUTH ADVOCATE PROGRAM, INC.
SUPPLEMENT TO REPORT ON AGREED-UPON PROCEDURES**

We reviewed 308 medicaid transactions and noted 20 instances in which progress notes were not verified by any signature. The dollar amount of these 20 undocumented transactions totaled \$704.

Management Comment:

We recommend OYAP enact policies and procedures to ensure documentation that all staff administering Medicaid services are properly supervised and licensed.

**OHIO YOUTH ADVOCATE PROGRAM, INC.
SUPPLEMENT TO REPORT ON AGREED-UPON PROCEDURES**

SUMMARY OF FEDERAL QUESTIONED COSTS

QUESTIONED COSTS	ISSUE NUMBER	PAGE NUMBER	AMOUNT
Undocumented and Unallowable Expenditures for 1998	1-1	16	\$37,537
Excessive Conference Expenses for 1998	1-2	26	212,854
Management Fees Paid to NYAP in Excess of Allocated Costs	1-3	28	
For Fiscal Year 1997			1,023,765
For Fiscal Year 1998			834,586
For Fiscal Year 1999			1,245,315
Unallowable Financing of Child Care Facilities	1-4	32	
For Fiscal Year 1996			33,057
For Fiscal Year 1997			195,109
For Fiscal Year 1998			162,708
Unallowable Financing of a Printing Operation	1-4	32	
For Fiscal Year 1997			19,928
For Fiscal Year 1998			292,608
For Fiscal Year 1999			525,684
Commingled Petty Cash and Unexplained Shortages in 1998	1-5	35	29,378
Unallowable Rental Expense of King-Neil Properties	1-6	38	
For Fiscal Year 1996			5,315
For Fiscal Year 1997			23,378
For Fiscal Year 1998			77,019
For Fiscal Year 1999			26,440
OYAP's Payment of NYAP's Federal Express Expenses in 1998	1-7	39	1,351
Office Space for NYAP Paid for by OYAP	1-8	41	
For Fiscal Year 1996			3,361
For Fiscal Year 1997			10,278
For Fiscal Year 1998			12,556
For Fiscal Year 1999			12,497
For Fiscal Year 2000			7,636
For Fiscal Year 2001			7,636
Unsupported Expenditures Paid by OYAP	1-9	42	
For Fiscal Year 1998			3,963
For Fiscal Year 1999			3,145
Systemic Overpayment of Title IV-E Maintenance Reimbursement ¹¹³	3-1	45	206,027
Unallowable Medicaid Services for 1998	6-1	61	691
TOTAL QUESTIONED COSTS			<u>\$5,013,822</u>

¹¹³ This Federal Questioned Cost resulted from the overstatement by ODJFS of maintenance claimed by county agencies.



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

OHIO YOUTH ADVOCATE PROGRAM, 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
DECEMBER 27, 2002**