



**ALCOHOL, DRUG ADDICTION & MENTAL HEALTH SERVICES BOARD
CUYAHOGA COUNTY**

SPECIAL AUDIT

FOR THE PERIOD JULY 1, 2004 THROUGH DECEMBER 31, 2008



Mary Taylor, CPA
Auditor of State

TABLE OF CONTENTS

TITLE	PAGE
Independent Accountants' Report	3
Supplement to the Special Audit Report	
Background	5
Issue No. 1 SHAPE Program Budget	6
Issue No. 2 Payments to Clemente Powell	9
Issue No. 3 Other Disbursements	12

This page intentionally left blank.



Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Mr. William Denihan, Chief Executive Officer
Ms. Cassandra Richardson, Chief Financial Officer
Alcohol, Drug Addiction & Mental Health
Services Board of Cuyahoga County
2012 West 25th Street
Cleveland, Ohio 44113

We conducted a special audit of the Cuyahoga County Community Mental Health Board¹ (Board) consumer-operated Self Help and Peer Empowerment (SHAPE) program as it relates to funding services provided by Home for TLC (TLC) by performing the procedures described in the attached Supplement to the Special Audit Report for the period July 1, 2004 through December 31, 2008 (Period). The audit procedures were performed solely to:

- Examine the SHAPE program budget related to TLC and determine whether the payments made to Bridgeway, Inc. by the Board were in accordance with program guidelines.
- Determine whether payments to TLC Executive Director Clemente Powell or payments made on his behalf, were supported and for valid SHAPE program expenditures.
- Determine whether other SHAPE payments to TLC staff and vendors were supported and for valid SHAPE program expenditures.

This engagement was conducted in accordance with the Quality Standards for Inspections established by the President's Council on Integrity and Efficiency (January 2005). The procedures and associated findings are detailed in the attached Supplement to the Special Audit Report. A summary of our procedures and significant results is as follows:

1. We examined the SHAPE program budget related to TLC.

Significant Results – During the Period, the Board paid a total of \$572,353 to Bridgeway for funding the SHAPE program services to be provided by TLC. As fiscal agent for the program, Bridgeway was required to disburse the funds to TLC in accordance with budgets approved by the Board. Memorandums of understanding between TLC and the Board did not describe the program requirements or the specific program services that TLC was to provide. This precluded us from determining whether payments tested in Issues 2 and 3 were valid program expenditures.

¹ In July 2009, the Alcohol & Drug Addiction Services Board of Cuyahoga County consolidated with the Cuyahoga County Community Mental Health Board to form the Alcohol, Drug Addiction and Mental Health Services (ADAMHS) Board of Cuyahoga County.

Additionally, contracts between the Board and Bridgeway did not state the amount of compensation Bridgeway would be paid for its role as fiscal agent. Therefore, we were unable to determine whether Bridgeway received the agreed-upon amount for the service it provided. Bridgeway was paid \$55,627 from August 2005 through April 2007 for serving as fiscal agent. We were not provided with documentation of fiscal agent payments before or after those dates.

We issued two noncompliance citations related to record retention and contractual relationships between fiscal agents and SHAPE entities. We also issued a management comment regarding documentation of expenditures.

2. We examined available documentation supporting payments to Clemente Powell during the Period.

Significant Results – During the Period, Mr. Powell received 356 payments totaling \$216,367. As director of TLC, Mr. Powell was required to submit documentation of expenditures made prior to receiving reimbursement from Bridgeway; however, only eight of the 356 transactions we examined had documentation that fully supported the check amount. Payments totaling \$211,329 issued to Mr. Powell were not considered supported. We were unable to determine the validity of expenditures due to the lack of supporting documentation and guidelines describing what were considered valid SHAPE program expenditures.

We issued a noncompliance citation regarding fiscal agent requirements and a management comment related to provider/recipient oversight of disbursements.

3. We examined available documentation supporting other payments to TLC staff and vendors during the Period.

Significant Results – During the Period, TLC staff and vendors received 991 payments totaling \$406,423. Of these, we noted 315 transactions had documentation that supported the check amount. Expenditures totaling \$319,635 were considered unsupported. We were unable to determine the validity of payments due to the lack of guidelines describing what were considered valid SHAPE program expenditures.

4. On July 2, 2010, we held an exit conference with the following individuals representing ADAMHS:

William Denihan, Chief Executive Officer
Cassandra Richardson, Chief Financial Officer

The attendees were provided an opportunity to respond to this special audit report. A response was received on July 30, 2010. The response was evaluated and changes were made to this report as we deemed necessary.



Mary Taylor, CPA
Auditor of State

April 23, 2010

Supplement to the Special Audit Report

Background

The Cuyahoga County Community Mental Health Board, currently known as the Alcohol, Drug Addiction & Mental Health Services Board² (ADAMHS) of Cuyahoga County, contracted with Bridgeway, Inc. to be the fiscal agent for the consumer-operated Self Help and Peer Empowerment (SHAPE) program. Bridgeway acted as the fiscal agent for six consumer agencies receiving SHAPE funds, one of which was Home for TLC (TLC).

TLC, a nonprofit organization that served mental health consumers of Cuyahoga County, operated a community center that provided services, including peer support and educational, social and recreational development activities to individuals with a history of mental illness.

In July 2008, Bridgeway notified the Board that a Bridgeway employee who had taken over the accounting responsibilities for the SHAPE programs had identified potential overspending, missing documentation and questionable expenses by TLC. The Board performed a review of Bridgeway and the SHAPE program agencies to determine the validity of the allegations. The Board review concluded the problems were confined to Bridgeway and TLC.

The Board also concluded that neither Bridgeway nor TLC maintained sufficient documentation for disbursements totaling \$330,613; Bridgeway had not fulfilled its contractual responsibilities as fiscal agent; and TLC and Bridgeway had not acted in a manner that displayed accountability for the use of public funds. In September 2008, the Board approved a resolution terminating funding to TLC and removing Bridgeway as fiscal agent for all SHAPE organizations³. The resolution also stated Bridgeway would be required to repay the unsupported expenditures identified by the Board.

In October 2008, the Board requested the Cuyahoga County Sheriff's Office conduct an investigation to determine whether public funds had been misappropriated in an unlawful manner by either TLC or Bridgeway.

In July 2009, the Cuyahoga County Sheriff's Office requested assistance from the Auditor of State and on August 10, 2009, ADAMHS requested the Auditor of State assist the Sheriff's Office in the investigation.

This information was considered by the Special Audit Task Force and on August 26, 2009, the Auditor of State initiated a special audit of the identified allegations.

² The ADAMHS Board is responsible for the planning, funding and monitoring of public mental health and alcohol and other drug addiction services delivered to the residents of Cuyahoga County. The ADAMHS Board does not provide services directly to consumers and clients, but contracts with provider agencies to deliver services.

³ Bridgeway continued to receive funding from the Board for other non-SHAPE programs.

Supplement to the Special Audit Report

Issue No. 1 – SHAPE Program Budget

Procedures

We obtained Board resolutions and contracts with Bridgeway to identify program requirements as they related to funding for TLC and fiscal agent payments to Bridgeway.

We obtained TLC's budgets submitted to and approved by the Board to identify amounts due TLC for the SHAPE program.

We determined the total amount paid by the Board to Bridgeway for funding TLC, and from Bridgeway to TLC, and attempted to determine whether Bridgeway retained the allowable fees for its role as fiscal agent.

Results

During the Period, the Board entered into five contracts with Bridgeway to serve as the fiscal agent for the SHAPE program. Bridgeway was to administer the funds to designated consumer agencies, including TLC, according to budgets approved by the Board. Based on the documents provided, we were unable to determine the specific program requirements related to services that were to be provided by TLC.

We were provided with two memorandums of understanding between TLC and the Board, one of which was not signed. The documents did not describe the program requirements.

We requested contracts between Bridgeway and TLC but none were provided by the Board or Bridgeway.

The Board approved funding for TLC for each fiscal year, April 1 through March 31, during the Period as summarized in the following table:

<u>Fiscal Year</u>	<u>Approved Budget Amount</u>
FY 2005	\$122,422
FY 2006	\$126,126
FY 2007	\$144,567
FY 2008	\$150,632
FY 2009	\$140,088

Based on the information provided by the Board, the amounts paid to Bridgeway for funding TLC, the amounts paid by Bridgeway to TLC and the amounts paid to Bridgeway for administrative fees as the fiscal agent for the SHAPE program are summarized in the table below:

<u>Fiscal Year</u>	<u>Amount paid to Bridgeway for TLC</u>	<u>Amount paid by Bridgeway to TLC⁴</u>	<u>Amount paid to Bridgeway for Fiscal Agent fees</u>
FY 2005	\$85,080	\$134,241	Not Provided
FY 2006	\$126,129	\$135,494	\$20,551
FY 2007	\$144,567	\$174,609	\$32,368
FY 2008	\$149,899	\$157,340	\$2,708
FY 2009	\$66,678	\$24,941	Not Provided

⁴ Documents provided by the Board did not identify the source of the additional funds paid by Bridgeway to TLC.

Supplement to the Special Audit Report

The amounts paid to Bridgeway as the fiscal agent covered only the period of August 2005 through April 2007. We were not provided payment information related to Bridgeway as the fiscal agent for the periods prior to or after those dates. We were unable to determine whether Bridgeway received the allowable fees for its role as fiscal agent because the contracts between the Board and Bridgeway did not contain language specifying the compensation to be paid to Bridgeway.

Noncompliance Citations

Record Retention

Ohio Rev. Code Section 149.351(A) states in part, "(a)ll records are the property of the public office concerned and shall not be removed, destroyed, mutilated, transferred, or otherwise damaged or disposed of, in whole or in part, except as provided by law or under the rules adopted by the records commissions provided for under sections 149.38 to 149.42 of the Revised Code..."

Section 7.2.4 of the contract between the Board and Bridgeway, referred to as Provider, states, "(t)he Provider should adopt a record retention policy in accordance with applicable requirements."

Section 7.6.4 of the contract states, "(t)he Provider shall retain financial records for at least seven years."

The Board and Bridgeway were unable to provide the following records:

- A signed copy of the memorandum of understanding between the Board and TLC for 2006;
- Check registers, vendor history reports and supporting documentation for payments by Bridgeway to TLC, and from the Board to Bridgeway for fiscal agent services.

The Memorandum of Understanding between the Board and TLC required TLC to submit monthly, quarterly and annual project reports. The Board did not provide these reports to us.

Lack of certain documents, including supporting documentation for expenditures, precluded us from determining specific program and contractual requirements, compensation to be paid to the provider, the nature of certain expenditures and whether each related to the SHAPE program.

We recommend the Board maintain copies of all official documents including memorandums of understanding, contracts and agreements between the Board, service providers and SHAPE entities. We also recommend that the Board ensure all records are adequately safeguarded. In addition, the Board should consider establishing a standard records retention policy for all providers and recipient organizations that describes the types of records to be maintained and shared with the Board. This would help ensure records are not lost or destroyed by the organizations.

Contractual Relationships between Fiscal Agents and SHAPE Entities

Attachment 4 to the contract between the Board and Bridgeway states in part, "Contract Service Provider agrees to be the Fiscal Agent for the following SHAPE entities:... Tender Loving Care..." The attachment further states, "Contract Service Provider agrees to enter into contractual relationships with each of the identified SHAPE entities. Said contractual relationship shall be entered into for the purposes of establishing the rights and responsibilities of both the Contract Service Provider and the SHAPE entity and specifically for establishing a process to ensure that the SHAPE entity warrants that it will only submit items for payment or reimbursements that are in compliance with the guidelines established for the use of the Board funding for the SHAPE entities."

Contracts between Bridgeway and TLC were not provided to us by the Board or Bridgeway. Additionally, documentation was not provided that a process was established to ensure that the SHAPE entities submitted only items for payment or reimbursement that were in compliance with program guidelines.

Supplement to the Special Audit Report

Failure to ensure recipient organizations enter contracts and have the contracts describe specific program guidelines and requirements can lead to a lack of accountability for entities receiving funding.

We recommend the Board ensure the fiscal agent service providers enter into formal contracts with the recipient SHAPE entities as described in Attachment 4. We recommend the fiscal agent provide copies of required contracts for Board review and reference. The Board should maintain copies of all contracts governing client services. Further, the contracts should contain clearly defined program guidelines, descriptions of the appropriate records to maintain, and the process for approving and seeking reimbursement of actual expenses incurred. The Board should take steps to ensure that the fiscal agent service providers are complying with contract requirements prior to issuing payments to recipient entities.

Management Comment

Documentation of Expenditures

Article 11.1 of the contract between the Board and Bridgeway states in part, the Board “shall make payment required under this contract for services rendered under this contract. Unless this contract specifically provides otherwise, all reimbursement shall be made in full for services actually provided and for which there is appropriate documentation as set forth in this contract.”

Despite Article 11.1’s reference to “appropriate documentation as set forth in this contract”, the contracts did not contain a definition of “appropriate documentation” necessary to support reimbursement of expenditures. Additionally, memorandums of understanding between the Board and TLC did not contain requirements for maintaining or providing support for reimbursement of expenditures.

Not defining, requiring or maintaining documentation supporting expenses and not periodically reviewing such documentation increases the risk that the Board will pay for unallowable costs.

For all contracts, we recommend the Board consider ways to enforce requirements that subcontractors maintain supporting documentation for expenditures and the Board periodically review that documentation to ensure no alterations or unallowable expenses were included on the invoices.

Additionally, the Board should perform periodic reviews of subcontractors to ensure the nature of the subcontractors’ expenditures is such that they relate to the goods and services provided by the contracted provider.

Supplement to the Special Audit Report

Issue No. 2 – Payments to Clemente Powell

Procedures

We obtained documentation from the Board and Bridgeway to identify all payments made to Clemente Powell or payments made on his behalf for the Period. We also obtained cancelled checks and bank statements from Bridgeway's bank by means of subpoena.

We examined available supporting documentation to determine whether payments to Mr. Powell, or payments made on his behalf, were supported, approved, and valid SHAPE program expenditures in accordance with contracts or other program requirements.

For any unallowable or unsupported expenditures identified, we attempted to obtain a Reduction of Expenditure report maintained by the Board and Bridgeway for the Period to determine whether the Board or Bridgeway was reimbursed for those expenditures.

Results

During the Period, Clemente Powell was the executive director of TLC and was responsible for providing supporting documentation to Bridgeway in order to receive reimbursement for TLC program expenditures.

Check Request Memo forms were provided as support for a limited number of the transactions. This form generally contained information regarding the purpose for the check, the name of the individual that requested the check and a supervisor's approval. The forms provided were not always completed, nor was the supervisor's approval required before a check was issued. In some instances, Mr. Powell approved the form for payments to himself. For purposes of this audit, if a Check Request Memo form was provided and no other supporting receipts or invoices were attached, we considered the expenditure to be unsupported.

We noted 356 payments made to Mr. Powell during the Period totaling \$216,367 and 14 payments made on his behalf totaling \$3,834. The payments made on Mr. Powell's behalf were for federal taxes and wage garnishments. We were not provided documentation regarding Mr. Powell's approved salary and noted Mr. Powell at times requested not to receive compensation. As a result, we were unable to determine whether the amounts paid on his behalf were accurately deducted from his compensation.

Only eight transactions totaling \$5,038 had a receipt attached which agreed to the check amount. Therefore, payments totaling \$211,329 issued to Mr. Powell were not considered supported. Bridgeway made advanced payments to TLC in round amounts for anticipated program expenditures and did not require TLC submit supporting documentation after purchases had been made. We concluded that advances to Mr. Powell and TLC staff would have been used to some degree for legitimate purposes or the program would not have operated. However, the lack of available documentation precluded any analysis to accurately and reliably identify program expenses versus non-program expenses.

We were not provided documentation as to what was considered allowable SHAPE program expenditures. Due to this and the limited supporting documentation for expenditures, we were unable to conclude whether expenditures were approved beyond the Check Request Memo mentioned above or whether the expenditures were for a valid SHAPE program.

The Board and Bridgeway did not provide a Reduction of Expenditure report and as a result, we were unable to determine whether either entity was reimbursed for any payments issued to Mr. Powell.

Supplement to the Special Audit Report

Noncompliance Citation

Fiscal Agent Requirements

Attachment 4 to the contract between the Board and Bridgeway states in part, "Contract Service Provider agrees to be the Fiscal Agent for the following SHAPE entities:... Tender Loving Care..."

"As Fiscal Agent, Contract Service Provider shall provide the following accounting services for each of the SHAPE entities above noted: payroll processing, accounts payable analysis and check disbursements..."

"Contract Service Provider and the Board acknowledge and agree that as the Fiscal Agent for the SHAPE entities... Contract Service Provider is responsible for... the payment of the Grant Funds and/or Special Needs Funds to the appropriate SHAPE entity or a third party payee in accordance with the invoices submitted to the Contract Service Provider for the expenses of the SHAPE entities' general operations and/or delivery of Project services as reflected in the SHAPE entities' Budget or otherwise authorized by the Board. The Contract Service Provider agrees to review invoices submitted by the SHAPE entities for any obvious errors and/or questionable transactions. If upon such a review, there are no obvious errors or questionable transactions, the Contract Service Provider may rely on the invoices submitted by the SHAPE entities, and has no obligation to, and shall not, independently verify such invoices. If the review of the invoices reveals an obvious error and/or a questionable transaction, Contract Service Provider shall perform its duties as Fiscal Agent by following up with the SHAPE entity until Contract Service Provider is satisfied that the invoice is acceptable."

Payments made to Clemente Powell and other TLC personnel by Bridgeway were not supported. In addition, there was no indication that Bridgeway required TLC submit documentation supporting the reimbursements. As a result, we could not verify that the expenditures were valid or in accordance with program requirements or contracts.

Failure to require and review detailed itemized documentation supporting reimbursements can lead to a lack of accountability for expenditures and the possibility of processing payments for transactions unrelated to the intended operations of the program.

We recommend the Board take actions to ensure the fiscal agent service provider obtains sufficient, detailed documentation to support the work performed and expenses incurred to confirm the amount billed for reimbursement was for valid program expenses. The Board should periodically monitor the documentation to ensure compliance with the program requirements.

Management Comment

Provider/Recipient Oversight of Disbursements

We noted the following weaknesses in the disbursement cycle:

- Approval by the TLC Board chairperson, vice chair and director was required prior to Bridgeway disbursing funds to TLC; however, this practice was discontinued shortly after implementation and there was no evidence of review or approval of the check requests by the TLC Board prior to submission to Bridgeway;
- Mr. Powell approved his own reimbursements;
- TLC personnel signed Mr. Powell's name approving check requests;
- TLC personnel frequently received multiple checks on the same date for round-dollar amounts without providing supporting documentation;
- Funds were distributed from Bridgeway to TLC without supporting documentation and approval by the TLC Board;
- We were not provided a formal written financial accounting manual outlining the prescribed purchasing and disbursement cycle procedures to be followed by Bridgeway or TLC.

Not establishing and following specific purchasing procedures and not requiring and maintaining supporting documentation undermines each entity's ability to verify that all transactions were for a purpose related to the operations of the SHAPE program.

Supplement to the Special Audit Report

We recommend the Board institute a written financial accounting manual to include procedures to be followed for purchasing and disbursements for all fiscal agent service providers and recipient organizations. Purchasing and payment procedures should require the voucher packet to include the invoice or receipt and purchase order if applicable, check request memo form and certification by the appropriate individuals that they have reviewed the invoice and attached documentation for accuracy and completeness. We recommend the fiscal agent service provider issue checks only after reviewing the corresponding voucher packets and that a monitoring control be implemented to ensure payments are authorized prior to issuing checks.

Supplement to the Special Audit Report

Issue No. 3 – Other Disbursements

Procedures

We obtained documentation from the Board and Bridgeway to identify all payments made to TLC staff and vendors for the Period. We also obtained cancelled checks and bank statements from Bridgeway's bank by means of subpoena.

We examined available supporting documentation to determine whether the payments were supported, approved, and valid SHAPE program expenditures in accordance with contracts or other program requirements.

For any unallowable or unsupported expenditures identified, we attempted to obtain a Reduction of Expenditure report maintained by the Board and Bridgeway for the Period to determine whether the Board or Bridgeway were reimbursed for those expenditures.

Results

During the Period, Bridgeway issued 991 checks to TLC staff and various vendors totaling \$406,423. Of these, 315 transactions totaling \$86,788 were supported by a receipt that agreed to the check amount. In total, expenditures totaling \$319,635 were considered unsupported.

As stated in the results to Issue 2, we were not provided documentation as to what was considered allowable SHAPE program expenditures. Due to this and the limited supporting documentation for expenditures, we were unable to conclude whether expenditures were approved beyond the Check Request Memo mentioned in Issue 2 or whether the expenditures were for a valid SHAPE program.

The Board and Bridgeway did not provide a Reduction of Expenditure report and as a result, we were unable to determine whether either entity was reimbursed for any payments issued to staff or vendors.



Mary Taylor, CPA
Auditor of State

**ALCOHOL, DRUG ADDICTION AND MENTAL HEALTH SERVICES BOARD OF CUYAHOGA
COUNTY**

CUYAHOGA COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
SEPTEMBER 9, 2010**