



CHILD PROTECTIVE SERVICES

BOYS VILLAGE, INC.

REPORT ON AGREED-UPON PROCEDURES

JANUARY 1, 1998 THROUGH DECEMBER 31, 1998



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

**BOYS VILLAGE, INC.
REPORT ON AGREED-UPON PROCEDURES**

TABLE OF CONTENTS

	<u>PAGE(S)</u>
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	7
Agency Information	8
Issue 1 Test of Expenditures in Accordance with Terms of Agreements and Applicable Laws	10
Issue 2 Test of Funding Received from Public Sources	15
Issue 3 Test of Payments to Foster Parents	16
Issue 4 Test of Internal Controls	19
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	22
Issue 6 Test of Medicaid Billings	24
Issue 7 Test of Medicaid Services	24
Summary of Federal Questioned Costs	25

THIS PAGE LEFT BLANK INTENTIONALLY

**BOYS VILLAGE, INC.
REPORT ON AGREED-UPON PROCEDURES**

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

NAME	TITLE	TERM
BOARD OF TRUSTEES		
Jim Basford	President	July 1, 1997 to June 30, 2000
Jim Krakowski	Vice President	July 1, 1997 to June 30, 2000
Ruth Bell	Secretary	July 1, 1997 to June 30, 2000
Jean Musselman	Asst. Secretary	July 1, 1997 to June 30, 2000
Donald Foster	Treasurer	July 1, 1997 to June 30, 1999
Thomas Amstutz	Member	July 1, 1997 to June 30, 2000
Terry Beck	Member	July 1, 1997 to June 30, 2000
Donald Bogner	Member	July 1, 1997 to June 30, 2000
Carl Bowers	Member	July 1, 1997 to June 30, 2000
Doris Bucher	Member	July 1, 1997 to June 30, 2000
David Bush	Member	July 1, 1998 to June 30, 2001
Kenneth Chapman	Member	July 1, 1997 to June 30, 2000
William Cummings	Member	July 1, 1997 to June 30, 2000
Gerald Jones	Member	July 1, 1997 to June 30, 2000
Jim Kiefer	Member	July 1, 1998 to June 30, 2001
Andy Kuntz	Member	July 1, 1997 to June 30, 2000
John Murphy	Member	July 1, 1997 to June 30, 2000
Robert Polsky	Member	July 1, 1998 to June 30, 2001
Mike Reardon	Member	July 1, 1997 to June 30, 2000
Robbie Ross	Member	July 1, 1998 to June 30, 2001
Judy Shea	Member	July 1, 1997 to June 30, 2000

**BOYS VILLAGE, INC.
REPORT ON AGREED-UPON PROCEDURES**

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

NAME	TITLE	TERM
BOARD OF TRUSTEES (Continued)		
Donna Featherstone	Member*	July 1, 1998 to June 30, 1999
Robert Weiss	Member**	July 1, 1997 to June 30, 2000
Jim Zedak	Member	July 1, 1997 to June 30, 2000
Raymond Dix	Member	Emeritus ¹
Ted Evans	Member	Emeritus
ADMINISTRATIVE PERSONNEL		
William R. Schultz	Executive Director	January, 1986 to July, 2000
James T. Miller	Associate Director	January, 1991 to July, 2000
Randy Straka	Chief Financial Officer	July 1997 to Present

Agency Address:

Boys Village, Inc.
2803 Akron Road
P.O. Box 518
Wooster, Ohio 44691

Shared Board Members with Affiliated Organizations:

- * - President of Friends of Boys Village
- ** - Boys Village Foundation, Inc.

¹

Emeritus members are inactive members and do not have terms.



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

Greg Moody, Director
Ohio Department of Job and Family Services
30 East Broad Street
Columbus, Ohio 43266-0423

Dear Director Moody:

Pursuant to the memorandum of understanding signed July 6, 1999 between the Ohio Department of Job and Family Services² (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 Boys Village, Inc. (Placement Agency) for the period January 1, 1998 through December 31, 1998 ("the Period"). These procedures were performed solely to determine if the Placement Agency complied with the provisions of certain Federal and State laws and regulations applicable to a private noncustodial agency (PNA) and certain terms and conditions of its contract with 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 Boys Village, Inc. for the Period to determine whether receipts were properly deposited and recorded in the accounting records of the Placement Agency.
3. We compared the Placement Agency's per diem paid to the foster parents with the corresponding per diem it received from 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.
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.

²

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.

6. We performed procedures to determine if Medicaid expenses were properly billed to the program.
7. We performed procedures to determine if there was proper monitoring of the Medicaid counseling.

On July 18, 2001, we held an post audit conference with the following:

<u>Name</u>	<u>Office/Position</u>
James T. Miller	Boys Village, Inc. Executive Director
Rick Rodman	Boys Village, Inc. Associate Executive Director
Randy Straka	Boys Village, Inc. Former Chief Financial Officer
Bel Klockenga	Boys Village, Inc. Current Chief Financial Officer
Vince Cybulski	Boys Village, Inc. Comptroller
Gregory W. Kelly	Auditor of State Assistant Chief Deputy Auditor
Sam Long	Auditor of State Assistant Auditor
Carolyn Curry	Auditor of State Auditor-In-Charge

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

July 6, 2001

BOYS VILLAGE, INC.
SUPPLEMENT TO REPORT ON AGREED-UPON PROCEDURES

BACKGROUND INFORMATION

The challenge of child welfare reform is formidable and we commend ODJFS on its recent efforts to reform the child welfare system. The Department has invited a comprehensive group of stakeholders to participate in its child welfare reform initiative. On April 6, 1999, the Department Director requested that the Auditor of State assist the Department in its efforts to improve the child welfare system by conducting a performance audit of its child welfare program. In collaboration with ODJFS and the stakeholders group, the child welfare performance audit will identify issues that are preventing effective and efficient delivery of high quality services to children and families, and recommend methods to improve the Department's processes. ODJFS should consider the audit findings and recommendations presented in our report as it attempts to bring about needed improvements and reform. The report was released on February 9, 2001.

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. This is the tenth 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.³ 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.⁴ 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.⁵

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.⁶ 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

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

⁴ Ohio Rev. Code Section 5101.141(A). Rules established pursuant to this authority are found in Ohio Admin. Code Chapter 5101:2-47.

⁵ Ohio Rev. Code Section 5153.16(A)(14).

⁶ Ohio Rev. Code Section 5153.16(C)(2)(a)(v).

BOYS VILLAGE, INC.
SUPPLEMENT TO REPORT ON AGREED-UPON PROCEDURES

custody of children; and place children for foster care or adoption. Cuyahoga County Department of Children and Family Services (CCDCFS)⁷, a PCSA, entered into such an agreement with Boys Village, Inc., a PNA.⁸

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.⁹

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.¹⁰ 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,¹¹ and ODJFS asks that a copy of the last completed audit be submitted with the annual cost report.

"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..."¹²

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.¹³

⁷ During the period of this engagement Cuyahoga County Department of Children and Family Services (CCDCFS) was undergoing a separate financial audit conducted by the AOS. We selected CCDCFS records for testing for Issues 2 and 3, because records were accessible and it was both cost and time efficient to do so.

⁸ 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 between CCDCFS and Boys Village, Inc. originally dated January 27, 1998, for the period January 1, 1998 through December 31, 1998.

⁹ 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).

¹⁰ 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).

¹¹ 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.

¹² 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).

¹³ 42 U.S.C. Section 675 (4)(A).

BOYS VILLAGE, INC.
SUPPLEMENT TO REPORT ON AGREED-UPON PROCEDURES

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...¹⁴

Office of Management and Budget (OMB) Circular A-133 *Audits of States, Local Governments, and Non-Profit Organizations*, establishes an audit requirement for federal funds (including Title IV-E funds) administered by state and local governments and non-profit entities, and authorizes auditors to question unallowed costs which appear to have resulted from a violation of law, regulation or other agreement governing the use of such funds, costs which are not supported by adequate documentation, or appear unreasonable.¹⁵

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."¹⁶ 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.¹⁷

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 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 sets forth requirements regarding: financial and program management, property and procurement standards, reports and records and termination and enforcement.

¹⁴ 26 U.S.C. Section 501(c)(3).

¹⁵ Pursuant to her rulemaking authority under the Single Audit Act, 31 U.S.C. Section 7505, the Secretary of the Department of Health and Human Services has promulgated a regulation which provides that state and local governments, as well as recipients and subrecipients that are non-profit organizations, are subject to the audit requirements contained in the Single Audit Act, 31 U.S.C. Sections 7501 et seq., and OMB Circular A-133. See 45 C.F.R. Section 74.26(b) and (a) (1999), respectively.

¹⁶ Prior to 5/1/98, applicable cost guidelines were contained in Ohio Admin. Code Sections 5101:2-47-63 and 5101:2-47-64.

¹⁷ 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

BOYS VILLAGE, INC.
SUPPLEMENT TO REPORT ON AGREED-UPON PROCEDURES

Reimbursement Process

The reimbursement process begins early each fiscal year when ODJFS disburses funds to the counties under its state plan for foster care approved by the Secretary of the U.S. Department of Health and Human Services (HHS). ODJFS submits quarterly reports to the HHS for reimbursement of federal financial participation (FFP) in foster care payments¹⁸ made to the PCPAs and PNAs.

In 1998, the FFP was 58% for maintenance payments¹⁹ made and 50% for administrative costs²⁰ incurred under the Title IV-E program.

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

Allowable Costs

In addition to the Ohio Administrative Code and the Office of Management and Budget Circular A-122 *Cost Principles for Non-Profit Organizations*, which govern allowable costs, Boys Village, Inc. is bound by the terms of a purchase of service agreement it entered with CCDCFS to provide specialized foster care, chemical dependency, and teen sex offender residential treatment (hereinafter referred to as "The Agreement"). These services are set forth in Section 4 of the Agreement.

The Agreement provides that CCDCFS will reimburse Boys Village, Inc. 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 Boys Village, Inc. 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, which is 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."²¹

Further, Ohio Admin. Code Section 5101:2-33-18(C), provides that, "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 after-care services, development of case plans and coordinating the provider's role in carrying out those plans.²²

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.

¹⁸ 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.

¹⁹ 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.

²⁰ 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.

²¹ Ohio Admin. Code Section 5101:2-33-18(B).

²² Ohio Admin. Code Section 5101:2-33-18(C).

BOYS VILLAGE, INC.
SUPPLEMENT TO REPORT ON AGREED-UPON PROCEDURES

In Section 15 of the Agreement, Boys Village, Inc. 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.”²³

Administration of Medicaid Services

Boys Village, Inc. also receives Medicaid receipts for reimbursement of medical counseling services provided by Boys Village, Inc. 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 clinical social worker or CSW, must be billed using the following procedure codes:

H5010 Therapy, individual, by social worker, per hour.

H5020 Psychotherapy, group (maximum eight persons per group), by non-physician, forty-five to fifty minutes, per person, per session.

H5025 Psychotherapy, group (maximum eight persons per group), by non-physician, ninety minutes, per person, per session.

RESOLUTION OF QUESTIONED COSTS

Certain deficiencies identified in our Review may require us to report questioned costs to the U.S. Department of Health and Human Services and ODJFS.

OMB Circular A-133 defines questioned costs as follows:

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

- (1) Which resulted from a violation or possible violation of a provision of a law, regulation, contract, grant, cooperative agreement, or other agreement or document governing the use of Federal funds;
- (2) Where the costs, at the time of the audit, are not supported by adequate documentation; or
- (3) Where the costs incurred appear unreasonable and do not reflect the actions a prudent person would take in the circumstances.”²⁴

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.

²³ Section 15, Availability and Retention of Records, Purchase of Service Agreement, dated 1/27/98, pg. 23.

²⁴ Office of Management and Budget (OMB) Circular A-133, Subpart A, .105 Definitions.

BOYS VILLAGE, INC.
SUPPLEMENT TO REPORT ON AGREED-UPON PROCEDURES

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 Boys Village, Inc. join together to ensure that Boys Village, Inc. develops and implements a corrective action plan that will result in fiscal accountability²⁵ and legal compliance²⁶ in accountability and legal compliance in an expeditious manner. Based on the findings we recommend the following:

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

AGENCY INFORMATION

Boys Village, Inc. is a private noncustodial agency (PNA) that was incorporated December 11, 1945 as a nonprofit organization which is exempt from federal income tax under Internal Revenue Code Section 501 (c)(3). Boys Village, Inc. is licensed by ODJFS to operate a children's residential center, a residential parenting facility, to operate or provide independent living arrangements, to recommend families to become foster families, and place children in foster homes. When a county children services agency needs a home for a foster child, it can contact agencies such as Boys Village, Inc. to place the child. The group of foster family homes (private foster network) utilized by Boys Village, Inc. has been in place since 1987. Boys Village, Inc. places foster children primarily for CCDCFS and Franklin County Children Services. Boys Village, Inc. has provided services to Wayne, Summit, Stark, Erie, and Knox County children services.

Affiliated Organizations

Boys Village Foundation, Inc.

Boys Village, Inc. Foundation, Inc. is a non-profit organization, incorporated July 14, 1961. The Foundation is responsible for investing funds for use by Boys Village, Inc. in its operations. The Foundation has one board member who is also on the Boys Village Board of Trustees. This overlapping board member is Bob Weiss who is the Chairman of the Foundation.

Friends of Boys Village

Friends of Boys Village is a volunteer organization for young children in family foster homes in the community. This organization provides positive messages and recognizes achievement for both foster and residential treatment center of the Boys Village, Inc. It also raises monies on behalf of Boys Village, Inc. One member of the Friends of Boys Village organization normally serves a one year term on the Boys Village, Inc.'s Board of Trustees.

²⁵ ODJFS has proposed Rule 5101:2-33-19, Penalties for Failure to Comply with Fiscal Accountability Procedures, sets forth the penalties that ODJFS may enforce against PCSAs, PCPAs and PNAs for the failure to comply with procedures involving fiscal accountability. This rule is not yet effective as of the release date of this report.

²⁶ ODJFS has proposed Rule 5101:2-47-23.1, Title IV-E Agency Contracting and Contract Monitoring Requirements, which sets forth the requirements that a PCSA must establish a system of contracts and contract monitoring when purchasing foster care services. This rule is not yet effective as of the release date of this report.

**BOYS VILLAGE, 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
Boys Village, Inc.
Foster Care Statistics**

Characteristic	Statistic
Daily Average Number of Children in Placement	126
Number of Active Licensed Foster Homes	74
Average Per Diem Rate	\$74
Number of PCSAs from Which Agency Receives Children	38
Required Training for Foster Caregiver Orientation	70 hours for Advocate ²³
Required Annual Training for Foster Caregiver	30 Hours for Advocate ²⁷
Expenditures Reported per the Title IV-E Purchased Family Foster Care Cost Report	\$3,021,706
Characteristics of Children Placed by Agency	Traditional to Intensive levels of care

During the Period, Boys Village, Inc.'s staff consisted of 18 employees, that provided foster care services, including an executive director and assistant director, foster care supervisors, foster care coordinators, foster care secretaries, and social workers to provide the needed counseling and case management services to the foster children and foster parents.

The Boys Village, Inc. revenues were comprised primarily of funds from CCDCFS and Franklin County Children Services. The total foster care and residential care revenues received by Boys Village, Inc. during the period of January 1, 1998 to December 31, 1998 was \$6,838,965. This consisted of approximately 50% residential care revenue and 50% foster care revenue.

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.

²³

Orientation and annual training are 30 and 24 hours, respectively, for the advocate's spouse.

**BOYS VILLAGE, INC.
SUPPLEMENT TO REPORT ON AGREED-UPON PROCEDURES**

**Table II
Boys Village, Inc.
Revenue by Source**

	1998	Percent of Total Revenue
Cuyahoga County ²⁸	\$1,138,292	14
Franklin County	1,805,306	22
All other Counties	2,624,166	33
Department of Youth Services	1,271,201	16
Medicaid	468,995	6
Donations	507,302	6
All other Revenue ²⁹	263,793	3
Totals	\$8,079,055	100%

Relevant Individuals

William R. Schultz, Jr.

Mr. Schultz was the Executive Director of Boys Village, Inc. during the Period. He served as Executive Director from 1986 until his retirement on July 7, 2000.

James T. Miller

Mr. Miller was the Associate Director at Boys Village during the Period. He became the Executive Director on July 7, 2000.

Randy Straka

Mr. Straka has served as the Chief Financial Officer of Boys Village, Inc. during the Period. He has served as Chief Financial Officer since July of 1997.

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.

²⁸ During the period of this engagement Cuyahoga County Department of Children and Family Services' (CCDCFS) was undergoing a separate financial audit conducted by the AOS. We selected CCDCFS records for testing of Issues 2 and 3, because records were accessible and it was both cost and time efficient to do so.

²⁹ Includes interest, rent and royalty income.

BOYS VILLAGE, INC.
SUPPLEMENT TO REPORT ON AGREED-UPON PROCEDURES

Procedures Performed:

1. We obtained all canceled checks for non-payroll disbursements made by Boys Village, Inc. 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 Boys Village, Inc. 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.
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 Boys Village, Inc.

ISSUE 1-1	CHECK AND CREDIT CARD DISBURSEMENTS NOT ALLOWED OR WHICH LACKED SUPPORTING DOCUMENTATION REQUIRED UNDER THE CCDDFS 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 under an award, cost must, among other factors be reasonable and adequately documented.³⁰

³⁰

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

BOYS VILLAGE, INC.
SUPPLEMENT TO REPORT ON AGREED-UPON PROCEDURES

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 . . ." ³¹

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."³² 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."³³

In addition, under Section 1 of the Agreement, Boys Village, Inc. was to provide those services as delineated in Section 4 of the Agreement.³⁴

We inspected one hundred eighty-five (185) check disbursements totaling \$142,184 in expenditures. We requested invoices and/or receipts for these expenditures, authorization by the board or responsible party, and an explanation of how the expenditure provided a benefit to the program or was necessary to the operation of the foster care program. Boys Village, Inc. was able to provide us with invoices and/or receipts as requested for all transactions.

Additionally, six check disbursements totaling \$567 and two credit card expenditures totaling \$26 were not allowable foster care maintenance, administrative case management, case planning activities, and related administrative activities as well as being unallowable under OMB Circular A-122. These expenditures consisted of Rotary Board meetings or membership dues, staff Christmas gifts, and staff gift certificates. They were as follows:

1. Two checks disbursements totaling \$7,025 for staff Christmas gifts and gift certificates 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." Furthermore, entertainment costs for amusements, social activities, and related costs for staff only are considered unallowable costs for use in completing ODHS 2910 Purchased Family Foster Care Report.
2. In addition, six check disbursements totaling \$567 and two credit card expenditures for \$26, totaling \$593 for Rotary Board meetings or membership dues for William Schultz, Executive Director are unallowable under OMB Circular A-122, Attachment B, Paragraph 30(d), which states: "costs of membership in any civic or community organization are allowable with prior approval by the Federal cognizant agency." Evidence of prior approval was not provided.

³¹ OMB Circular A-122, Attachment A, Paragraph (A)(3)(a) through (c).

³² Section 14, Financial Records, Purchase of Services Agreement, dated 1/27/98, pg. 23.

³³ Section 15, Availability and Retention of Records, Purchase of Service Agreement, dated 1/27/98, pg. 23.

³⁴ See detailed discussion of these agreed-upon services in the "Allowable Costs" Section of this report.

**BOYS VILLAGE, INC.
SUPPLEMENT TO REPORT ON AGREED-UPON PROCEDURES**

**Table III
Boys Village, Inc.
Questioned Costs**

Unallowable Expenditures	
Unallowed Costs for Personal Use	
Staff Christmas Gifts	\$2,250
Staff Gift Certificates	<u>4,775</u>
Total Unallowed Costs for Personal Use	\$7,025
Unallowable Membership Costs	
Rotary Membership Dues and Board meetings	<u>\$593</u>
Total Unallowed Expenditures	<u>\$7,618</u>

During the audit period Boys Village, Inc. received more than 90% of its revenue from residential care, foster care and medicaid services. Approximately seven percent of its revenue came from donations. The expenditure of the funds it receives for residential, foster care³⁵, and medicaid services are subject to the terms and conditions of its contracts with county agencies. Furthermore, these programs received Federal Financial Participation through cost reimbursement. Therefore, the cost charged against the programs, both the federal portion as well as the state or local match, are subject to the Office of Management and Budget (OMB) Circular A-122, "Cost Principles for Non-Profit Organizations." Boys Village, Inc.'s accounting system could not clearly provide documentation whether the source of funds expended were from funds subject to contract provisions and OMB Circular A-122 or private donations.

Federal Questioned Costs: \$7,618

Due to unallowed and inadequately documented expenditures, reported on the ODHS 2910 Purchased Family Foster Care Cost Report(s) and/or charged against the foster care program, Boys Village, Inc. was in violation of Section 14 and 15 of its contract with CCDCFS and OMB Circular A-122, Attachment B, Paragraph 14 in the amount of \$7,025. Boys Village, Inc. was also in violation of OMB Circular A-122, Attachment B, Paragraphs 14 and 30(d) and Ohio Admin. Code Section 5101:2-47-26(A)(7) with respect to the unallowed expenditures in the amount of \$593. The total federal questioned costs totaled \$7,618.

Management Comment:

Boys Village, Inc. did not adhere to the CCDCFS contract regarding documentation of allowable direct and administrative cost requirements and financial records retention. 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.³⁶ 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.

³⁵ Purchase of Service Agreement, dated 1/27/98.

³⁶ ODJFS has proposed Rule 5101:2-47-26.2. Audits of PCPAs and PNAs, this rule sets forth the annual audit requirements. This rule is not yet effective as of the release date of this report.

**BOYS VILLAGE, INC.
SUPPLEMENT TO REPORT ON AGREED-UPON PROCEDURES**

ISSUE 1-2	LACK OF OVERVIEW OR MONITORING IN EXPENDITURE CONTROLS
------------------	---

Results:

Boys Village, Inc. had adopted an internal policies (Policy No. 03.02.04) which requires two signatures on the requisition form and (Policy No. 03.08.02) which provided that approval for payment rests with the Business Manager. Checks and documentation will be reviewed and signed by the Executive Director or his designee.

However, during our test of expenditures we found the Executive Director on eleven instances, authorized his own expenditures totaling \$859 for Rotary Board membership dues and other meals (\$593 was included as federal questioned costs in Issue 1-1). These authorizations were on requisition forms without evidence of a review or monitoring by the Business Manager/Chief Financial Officer, such as a signature or stamp of approval. This practice was in accordance with the Boys Village, Inc. Procedure Policy No. 03.08.02.

By allowing a member of the administrative staff to approve his own expenditures, without review or oversight by an appropriate level of management, the potential risk for misappropriation of assets is increased.

Management Comment:

We recommend that Boys Village, Inc. amend its internal procedures policy no. 03.08.02 to include authorization of expenditures by at least two appropriate authorizing signatures or prohibit the approval of expenditures by individuals for themselves without evidence of review or oversight by an appropriate level of management or the board.

ISSUE 1-3	LOANS TO EMPLOYEES TO PURCHASE PERSONAL COMPUTERS
------------------	--

Results:

OMB Circular A-122, Attachment B, Paragraph 18 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."

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

During the test of expenditures, we noted the following:

- During the period from 1995-1998 Boys Village, Inc. utilized it's tax exempt status, and Title IV-E funds, to purchase personal computers for its employees totaling \$72,895.
- All twenty-five loans were interest-free and were approved by Randy Straka, CFO of Boys Village, Inc. and the Board of Trustees.
- The agency withheld various amounts from each employee's check to repay the loans. Loan periods ranged between 1.5 years to 5.5 years for employees.
- In addition, insignificant amounts were added to the employee's outstanding loan balances for the following items: personal phone calls, fund-raising items, pay advances, and life insurance. Pay advances were deducted from the employee's subsequent pay check.
- As of 12/31/98 there were twenty-five employee loans outstanding totaling \$34,695 and none were delinquent.

BOYS VILLAGE, INC.
SUPPLEMENT TO REPORT ON AGREED-UPON PROCEDURES

- In response, Randy Straka, CFO, Boys Village, Inc. stated that, “loans to staff to purchase home computers benefitted Boys Village by allowing those staff to obtain computer and software training at home thus saving Boys Village, Inc. the normal costs associated with training the staff.”
- Per discussion with Randy Straka, CFO, Boys Village, Inc. did not loan monies to employees for the purchase of computers in the year 2000.

Federal Questioned Costs: \$34,695

Boys Village, Inc. did not clearly demonstrate that interest free loans to the staff for the purchase of personal computers and software provided a benefit to the program or was necessary to the operation of the foster care program. Therefore, these expenditures were unreasonable costs and in violation of OMB Circular A-122, Attachment B, Paragraph 2(a) and 18.³⁷

Management Comment:

The Board of Trustees should take adequate measures to ensure that all current outstanding employee loans are collected in full. In addition, the Board should establish a policy which prohibits the diversion of funds intended for programs by extending loans or other personal use by employees. This policy will better ensure that funds received from public agencies are only spent for program purposes.

In the event the Board of Trustees does wish to extend loans to its employees, it should do so, using unrestricted funds from private donations. Boys Village, Inc. should develop a detailed written policy governing employee loans. Then policy should include, but not be limited to, proper authorization, documentation, and the allowable source of funds for lending.

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 Boys Village, Inc. 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 Boys Village, Inc. 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 and Medicaid.
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.

³⁷

ODJFS has proposed Rule 5101:2-47-26.2, Audits of PCSAs, PCPAs and PNAs, this rule sets forth the annual audit requirements. This rule is not yet effective as of the release date of this report.

BOYS VILLAGE, INC.
SUPPLEMENT TO REPORT ON AGREED-UPON PROCEDURES

Results:

We documented the types of revenue that Boys Village, Inc. received as: program service fees from various counties, investment income, rent, royalty income and donations. Boys Village, Inc. did receive Medicaid payments during the Period. We obtained documentation from the County Auditor to determine the completeness of the receipts from CCDCFS.

Furthermore, we determined that all CCDCFS disbursements to Boys Village, Inc. 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 Boys Village, Inc. were used in accordance with the Social Security Act.
2. To determine whether Boys Village, Inc.'s 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.

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 Boys Village, Inc. for the same period and traced these payments to the invoices submitted by Boys Village, Inc.
2. We selected a representative sample of children identified by CCDCFS as Title IV-E eligible children being serviced by Boys Village, Inc. Federal maintenance payments to these children totaled \$48,705 or 37% 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 Boys Village, Inc. from CCDCFS to the corresponding Boys Village, Inc. 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 Boys Village, Inc. 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 Boys Village, Inc. and CCDCFS and between Boys Village, Inc. and foster caregivers.
9. We compared Boys Village, Inc.'s 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.

BOYS VILLAGE, INC.
SUPPLEMENT TO REPORT ON AGREED-UPON PROCEDURES

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.³⁸

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 payments³⁹ made to the PCPAs and PNAs. In 1998, the FFP was 58% for maintenance payments⁴⁰ made and 50% for administrative costs⁴¹ incurred under the Title IV-E program.

We selected a sample of 58 children eligible for Title IV-E federal maintenance reimbursements. We found that PNA billed and CCDCFS submitted \$100,201 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 \$83,974 and received \$48,705 at the 58% FFP reimbursement rate, however the Placement Agency only made maintenance payments to foster parents totaling \$47,938. The remaining \$767 was retained by Boys Village, Inc. and used for administrative costs or other purposes.

The table below documents the amount of federal questioned costs 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)	\$48,705
Required PCSA Match for Federal Financial Participation	<u>35,269</u>
Total Title IV-E Maintenance Claimed by ODJFS	83,974
Amount Paid by PNA to Foster Parents for Maintenance	<u>(47,938)</u>
Overstatement of Maintenance Claim	<u>\$36,036</u>

³⁸ 42 U.S.C. Section 675(4)(A)

³⁹ 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.

⁴⁰ 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.

⁴¹ 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.

BOYS VILLAGE, INC.
SUPPLEMENT TO REPORT ON AGREED-UPON PROCEDURES

Projected Questioned Costs:

We specifically identified \$36,036 of maintenance overclaimed in our sample. In order to evaluate the potential effect caused by these systemic problems in ODJFS' cost reporting, rate setting and cost reimbursement processes, we estimated the total likely questioned costs. We used the ratio approach, as illustrated below:

<u>Dollar Amount of Error :</u>		
Dollar Amount of Sample	\$36,036/\$83,974	42.91%
Dollar Amount of Population		X <u>\$1,976,832</u>
Projected Overstatement of Maintenance Claim		\$848,323
Actual Maintenance Reimbursement Claim (58% reimbursement rate)		\$492,027
Allowable Administrative Reimbursement Claim (50% reimbursement rate)		<u>\$424,162</u>
Overpayment of Maintenance Claim		<u>\$67,865</u>

Federal Questioned Costs: \$67,865

The Social Security Act requires that maintenance payments be used to meet the expenses as defined in section 675 of the Social Security Act. In our sample, we found that the maintenance costs claimed for federal reimbursement were not received by the foster parents and was overstated by \$36,036, and when extended to the population using the ratio approach resulted in questioned costs of \$67,865.

ODJFS should take the Federal Questioned cost over reported to the County and re-compute the Title IV-E per diem reimbursement rate that should have been paid to the Placement Agency during the Period and reimburse HHS, ODJFS or the PCSA for the overstated costs.⁴²

Management Comment

These questioned costs are a result of systemic problems in the ODJFS cost reporting, rate setting, and cost reimbursement processes. We recommend ODJFS redesign those processes to ensure costs are properly classified and reimbursements accurately claimed.⁴³ We further recommend that an adjustment to correct the overpayment of the Title IV-E maintenance reimbursement be made with the U.S. Department of Health and Human Services.

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 Boys Village, Inc. for a sample of 78 foster children. The payments to the Placement Agency for this sample totaled \$132,098. We noted that the Placement Agency received the correct per diem rates noted in the CCDCFS contract.

⁴² Pursuant to Ohio Admin. Code Section 5101:2-47-01(L). Prior to 5/1/98, the substance of this section was found at Ohio Admin. Code Section 5101:2-47-03(H).

⁴³ ODJFS has proposed Rule 5101:2-47-26.1, Procedures to Monitor Cost Reports Submitted by PCSAs, PCPAs, and PNAs, which sets forth the cost report monitoring requirements. This rule is not yet effective as of the release date of this report.

BOYS VILLAGE, INC.
SUPPLEMENT TO REPORT ON AGREED-UPON PROCEDURES

The foster parents in the sample received \$68,994, and we noted that these foster parents received the correct per diem rates per the CCDCFS contract. Of the \$132,098 received from CCDCFS by the Placement Agency the foster parents received \$68,994 or 52% of the total funds paid to the Placement Agency by CCDCFS. The remaining \$63,104 or 48% was retained by Boys Village, Inc. and used for administrative costs, other direct services to children or other purposes.

The contract between CCDCFS and Boys Village, Inc. sets forth the amounts to be paid as the daily per diem rate for the services specified in the contract. In addition, the contract sets the minimum amount to be paid to foster parents from the daily per diem rate paid to Boys Village, Inc. by CCDCFS.⁴⁴ The amount paid to foster parents ranged from 56 to 60% of the stated daily per diem rate, depending on the level of care.

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	ENTRANCE AND EXIT DATES OF PLACEMENT
------------------	---

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, provide documentary evidence in the event of litigation, and the accurate calculation of payments due to the PCPA/PNA.

We compared 78 placement dates of foster children recorded by CCDCFS and Boys Village, Inc. and found fourteen dates where the records did not agree. Inaccurate information about the dates children enter and exit the care of a PCPA/PNA could result in inappropriate administrative decisions and incorrect payments to the PCPA/PNA.

Management Comment:

ODJFS should make the necessary procedural and programming changes to the Family and Children Services Information System (FACSIS) that would ensure the integrity of data needed by the PCPA/PNAs to properly 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 procedures 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 internal control weaknesses in the policies and procedures in place at the Placement Agency.
2. To recommend improvements in the internal control system in efforts to eliminate noncompliance, and increase fiscal accountability.

⁴⁴

Section 4(A), Cost and Delivery of Purchased services, and Section 4(C), Foster Parent payment, Purchase of services agreement, dated 1/27/98, pgs. 3-4.

BOYS VILLAGE, INC.
SUPPLEMENT TO REPORT ON AGREED-UPON PROCEDURES

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.

ISSUE 4-1	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.

Boys Village, Inc. did not have an audit committee; however, the Board of Trustees unanimously approved the June 30, 1997 audit report on June 24, 1998. A well-functioning audit committee would better ensure the independence and objectivity of the independent public accountant in addition to making sure the Board of Trustees are aware of significant deficiencies in internal control and noncompliance with laws and regulations.

Per review of the January 18, 2001 Minutes of the Board Boys Village, Inc. established a financial oversight committee which performs all of the functions of an audit committee suggested below.

Management Comment:

We recommend that Boys Village, Inc. 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.

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.

BOYS VILLAGE, INC.
SUPPLEMENT TO REPORT ON AGREED-UPON PROCEDURES

ISSUE 4-2	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 or procedures for the treatment of capital expenditures and repairs. The Placement Agency calculated their own 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 that Boys Village, Inc. 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.
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 inaccurate reporting of the fixed assets and related depreciation on the financial statements.

ISSUE 4-3	ACCOUNTING PROCEDURES AND POLICIES
------------------	---

Results:

Adequately designed 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, Boys Village, Inc. was not able to provide us with a written policy in place with respect to the availability and retention of records or the usage of company credit cards. Further, there were cash receipt procedures used during the Period; however, they were not documented or approved by the Board of Trustees.

BOYS VILLAGE, INC.
SUPPLEMENT TO REPORT ON AGREED-UPON PROCEDURES

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 Boys Village, Inc. develop and implement written accounting policies and procedures that incorporate the applicable federal, state, and county compliance requirements.

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
----------------	---

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 Boys Village, Inc. 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 Boys Village, Inc. was accurate and completed in accordance with ODJFS regulations.

Procedures Performed:

1. We read the Board of Trustees' minutes, personnel records, and organizational chart to identify potential conflicts of interest and self dealing transactions that could result in non-compliance with Ohio Admin. Code Section 5101:2-5-08.
2. We determined whether the family foster home files were maintained in compliance with the applicable rules prescribed in Ohio Admin. Code Chapter 5101:2.
3. We determined whether the PCPA/PNA established a policy on: respite care; alternative care arrangement; residency; training and verification of income and prior childcare experience and if a policy was authorized and documented.
4. We compared wages paid as identified on the ODHS 2910 Purchased Family Foster Care Cost Report(s) to wages paid as identified on the Placement Agency's quarterly 941s or W-3 report.
5. We traced potential questioned costs to the cost report.

ISSUE 5-1	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.

BOYS VILLAGE, INC.
SUPPLEMENT TO REPORT ON AGREED-UPON PROCEDURES

Our Review found that Boys Village, Inc. did not take adequate measures to ensure the information on the family foster home applications submitted were complete and accurate. Foster parent income was not verified in ten out of ten family foster home applications files reviewed.

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

Management Comment:

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

ISSUE 5-2	TITLE IV-E PURCHASED FAMILY FOSTER CARE COST REPORT
------------------	--

Results:

Twenty-six dollars detailed as federal questioned costs in Issue 1-1 of this report, was charged against the foster care program, and/or reported as allowable costs on the 1998 ODHS 2910 Purchased Family Foster Care Cost Report.

ODJFS must determine the amount of over reporting by Boys Village, Inc. and re-compute the Title IV-E per diem reimbursement rate that should have been paid to Boys Village, Inc. during the Period and reimburse HHS, ODJFS or the PCSA for any over reimbursement resulting from the overstated costs.⁴⁵ Failure to properly classify program costs could result in federal questioned costs and have an adverse effect on the Title IV-E rate setting process.

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

Management Comment

Based on prior reports ODJFS has taken corrective action⁴⁶ to implement comprehensive desk reviews⁴⁶ of all cost reports.⁴⁷ Controls could be further enhanced by conducting field audits selected on a sample basis using a risk-based approach.

⁴⁵ Pursuant to Ohio Admin. Code Section 5101:2-47-01(L). Prior to 5/1/98, the substance of this section was found at Ohio Admin. Code Section 5101:2-47-03(H).

⁴⁶ In July 2000 ODJFS implemented a Comprehensive Desk Review process which examines costs reported on the cost report to determine whether the costs are: (1) allowable and presented fairly in accordance with department rules, (2) reasonable, (3) related to foster care and, (4) appropriately classified.

⁴⁷ In June 2000 ODJFS conducted cost report training for providers and implemented Comprehensive Cost Reporting Requirements which requires the provider to submit new information with the cost report, such as related party schedules, Internal Revenue Service (IRS) Form 990, W-2s for reported salaries, foster parent payment listing, and census logs.

**BOYS VILLAGE, INC.
SUPPLEMENT TO REPORT ON AGREED-UPON PROCEDURES**

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

Objective:

To determine if Medicaid billings at Boys Village, Inc. were properly billed to the program.

Procedures Performed:

1. We determined if billings were submitted in the correct manner to the Medicaid program by analyzing a sample of payments in ODJFS's Medicaid Management Information System (MMIS) for Calendar year 1998.
2. We determined if Boys Village, Inc. received Medicaid reimbursement in compliance with Ohio Admin. Code Sections 5101:3-4-02, 5101:3-4-29(D) and 5101:3-4-29(G).

Results:

During the test of Medicaid billings we found that: Medicaid billings had adequate supporting documentation; procedures codes used for billing were correct; Medicaid reimbursements were paid to the employing or contracting physician or clinic. We found no exceptions during our review of compliance with applicable laws and regulations.

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

Objective:

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

Procedures Performed:

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

Results:

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

**BOYS VILLAGE, INC.
SUPPLEMENT TO REPORT ON AGREED-UPON PROCEDURES**

SUMMARY OF FEDERAL QUESTIONED COSTS

JANUARY 1, 1998 - DECEMBER 31, 1998

QUESTIONED COSTS	ISSUE NUMBER	PAGE NUMBER	AMOUNT
Unallowable Costs	1-1	11	\$7,618
Loans to Employees to Purchase Personal Computers	1-3	14	\$34,695
ODJFS Systemic Misclassification of Costs	3-1	17	<u>\$67,865</u>
TOTAL FEDERAL QUESTIONED COSTS			<u>\$110,178</u>



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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

BOYS' VILLAGE, INC.

WAYNE 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 4, 2001**