



HAMILTON COUNTY DEPARTMENT OF JOB & FAMILY SERVICES
SPECIAL AUDIT
FOR THE PERIOD JULY 1, 2000 THROUGH JUNE 30, 2004



Auditor of State
Betty Montgomery

TABLE OF CONTENTS

TITLE	PAGE
Independent Accountants' Report	3
Supplement to the Special Audit Report	
Index of Acronyms	7
Background	8
Issue No. 1 Children Services' Property Tax Levy	9
Issue No. 2 Multi-County Systems Agencies' Contracts	24
Issue No. 3 Magellan Contracts	33
Issue No. 4 Hamilton County Juvenile Court – Hillcrest Training School	37
Issue No. 5 Hamilton County Juvenile Court –Youth Center	40
Issue No. 6 Talbert House Contracts	42
Appendix A – Effect of Findings for Adjustment	44

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Auditor of State Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT

Honorable Phil Heimlich
Honorable Todd Portune
Honorable Pat DeWine
Hamilton County Commissioners
138 East Court Street, Room 603
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In early 2003, the Ohio Department of Job and Family Services (ODJFS) contracted with the Health Care Contract Audit Section (HCCA) of the Auditor of State (AOS) to conduct an audit of the Hamilton County Department of Job and Family Services (HCDJFS). Prior to the audit conducted by HCCA on behalf of ODJFS, ODJFS had not conducted an audit of HCDJFS' operations for approximately ten years. Based on the results of the HCCA audit, ODJFS initiated its own audit of HCDJFS activity in 2004. During its audit ODJFS identified certain issues regarding foster care activities that ODJFS believed required further investigation. These issues were subsequently referred to the AOS. Following a review of the issues, and at the request of ODJFS, the AOS initiated a special audit on November 10, 2004. The purpose of the special audit for the period July 1, 2000 through June 30, 2004, was to achieve the following objectives:

- Identify proceeds from the Hamilton County Children Services property tax levies and determine whether they were posted in accordance with voter-approved levy language. Also, determine if expenditures and Inter-fund Transactions recorded in the Children Services fund were made in accordance with voter-approved levy language, ProtectOhio requirements, and/or any other restrictions applicable to the funding source.
- Determine if the Multi-County System Agencies, fiscal agents, and service providers maintained supporting documentation for expenditures and Inter-fund Transactions. Also, determine whether the expenditures and Inter-fund Transactions were made in accordance with Memorandums of Understanding and contracts; and whether the services were rendered and allowable.
- Identify the relationship between HCDJFS and Magellan and determine whether payments to Magellan and related service providers were supported by documentation; made in accordance with the contract terms, and whether services were rendered and allowable.
- Identify the sources of revenue for Hamilton County Juvenile Court's Hillcrest Training School and Youth Center and determine whether expenditures and Inter-fund Transactions for the operation of these facilities were made in accordance with any restrictions applicable to the funding source.
- Identify the relationship between HCDJFS and Talbert House and determine whether payments to Talbert House were supported by documentation; made in accordance with contract terms; and whether services were rendered and allowable.

This engagement was conducted in accordance with the Quality Standards for Inspections established by the President's Council on Integrity and Efficiency (March 1993). The procedures and associated findings are detailed in the attached Supplement to the Special Audit Report. A summary of our objectives and significant results is as follows:

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1. For the period July 1, 2001 through June 30, 2004, we identified proceeds from the Hamilton County Children Services property tax levies and determined whether they were posted in accordance with voter-approved levy language. We also determined whether expenditures and Inter-fund Transactions recorded in the Children Services fund were made in accordance with the voter-approved levy language, ProtectOhio requirements, and/or any restrictions applicable to the funding source.

Significant Results – During the period July 1, 2001 through June 30, 2004, HCDJFS transferred \$104,956,741 from the restricted Children Services fund to the Public Assistance fund. Additionally, HCDJFS transferred \$50,169,735 of Title IV-E Administration and Training grant proceeds and \$13,110,262 of State Child Protective Allocation proceeds from a restricted County agency fund to the Public Assistance fund. HCDJFS also receipted \$1,016,298 of State Child Protective Allocation proceeds statutorily required to be receipted into the Children Services fund into the Public Assistance fund. HCDJFS asserted these transactions were to reimburse the Public Assistance fund for expenses incurred on behalf of other programs for which the transferred monies could be used. However, HCDJFS was unable to provide documentation supporting the actual expenses incurred in the Public Assistance fund for which it claimed and received reimbursement. As such, we made a finding for adjustment for \$169,253,036 against the Public Assistance fund in favor of the Children Services fund.

We made a finding for adjustment against the Child Support fund in favor of the Children Services fund for \$9,248,138 for transfers that were unnecessary to cover expenses as asserted by HCDJFS.

Additional findings for adjustments were made against the Children Services fund for \$2,125,021 and against the General Fund for \$1,751,219 in favor of the Public Assistance fund for expenditures incurred by the Public Assistance fund unrelated to the Public Assistance fund's activities.

Appendix A to this report summarizes the net financial impact of the adjustments on the County's fund balances as of June 30, 2004.

We issued federal questioned costs of the Title IV-E Waiver (ProtectOhio) grant for undocumented expenditures totaling \$37,781,658 and for a \$10,090 payment for which we were unable to determine whether the expense was allowable under program requirements.

We referred Public Assistance fund expenditures totaling \$24,523,567 charged to the Public Assistance fund Shared Cost Pool; \$5,550,000 charged to the Public Assistance fund Income/Maintenance Cost Pool; and \$77,082,180 charged to the Public Assistance fund Social Services Cost Pool to ODJFS for further determination of whether the expenditures were allowable cost pool charges.

We made nine noncompliance citations for HCDJFS' failure to: account for and report Title IV-E, ProtectOhio, State Child Protective Allocation, and federal proceeds as required; provide the required local match for ProtectOhio; encumber funds properly; maintain supporting documentation; for HCDJFS' use of federal funds as a local match for another federal grant; and for commingling federal grant monies with local and state funds.

We made 13 internal control recommendations directed at HCDJFS and ODJFS suggesting improvements for fiscal administration of the various programs operated by HCDJFS.

2. For the period July 1, 2001 through June 30, 2004, we determined if the Multi-County System Agencies (MCSA), fiscal agents, and service providers maintained supporting documentation for expenditures and Inter-fund Transactions. We also determined whether the expenditures and Inter-fund Transactions were made in accordance with Memorandums of Understanding and contracts; and whether the services were rendered and allowable.

Significant Results – We issued findings for recovery against Beech Acres totaling \$1,781; Lighthouse Youth Services totaling \$5,580; and Talbert House totaling \$601 for payments of unauthorized services, duplicate payments, and/or overpayments resulting from services billed at the wrong contract rate. Beech Acres and Talbert House repaid their findings for recovery.

We made five internal control recommendations related to establishing an internal service fund to account for the MCSA's activity; resolving over/under payments to the former and current MCSA fiscal agents; documenting verbal authorizations; and monitoring service providers for compliance with contract provisions.

3. For the period July 1, 2000 through June 30, 2004, we identified the relationship between HCDJFS and Magellan and determined whether payments to Magellan and related service providers were supported by documentation; made in accordance with contract terms; and whether the services were provided and allowable.

Significant Results – We proposed a finding for recovery against Beech Acres for \$1,872 for services paid by Magellan and not rendered by Beech Acres. Beech Acres repaid this finding. We issued federal questioned costs totaling \$1,183 for payments received by Beech Acres (\$245) and Pressley Ridge (\$938) from the Medicaid program and Magellan for the same services.

4. For the period July 1, 2001 through June 30, 2004, we identified the sources of revenue for Hamilton County Juvenile Court's Hillcrest Training School (School) and determined whether expenditures and Inter-fund Transactions for the operation of this facility were made in accordance with any restrictions applicable to the funding source.

Significant Results – We made a finding for adjustment of \$25,035,199 against the Children Services fund in favor of the Public Assistance fund for reimbursement of School operating costs unrelated to the Public Assistance fund's activities and inconsistent with a March 30, 1998, prosecutorial opinion. Appendix A to this report summarizes the net financial impact of the adjustments on the County's fund balances as of June 30, 2004.

5. For the period July 1, 2001 through June 30, 2004, we identified the sources of revenue for Hamilton County Juvenile Court's Youth Center (Center) and determined whether expenditures and Inter-fund Transactions for the operation of this facility were made in accordance with any restrictions applicable to the funding source.

Significant Results – We made a finding for adjustment of \$1,450,000 against the Children Services fund in favor of the Public Assistance fund for reimbursement of Center operating costs unrelated to the Public Assistance fund's activities and inconsistent with a November 3, 1999, prosecutorial opinion. Appendix A to this report summarizes the net financial impact of the adjustments on the County's fund balances as of June 30, 2004.

6. For the period July 1, 2000 through June 30, 2004, we identified the relationship between HCDJFS and Talbert House and determined whether payments to Talbert House were supported by documentation; made in accordance with contract terms; and whether services were rendered and allowable.

Significant Results – During the period examined, HCDJFS charged its Talbert House contract expenses to the Public Assistance fund's Income Maintenance Cost Pool. As a result of the allocation of the cost pool expenses, HCDJFS received reimbursement from federal and state dollars from various programs.

Certain federal program requirements do not permit use of federal program dollars to fund contracts which result in a profit unless specific federal guidelines are met. Based on information obtained while conducting our audit, Talbert House appears to have earned a profit of \$873,337 related to its Community Link contracts with HCDJFS. Because the allocation of the cost pool expenses resulted in federal programs being charged a portion of the costs, we reviewed the contract provisions and Code of Federal Regulations (CFRs) for guidance on earning a profit when a contract is paid partially or wholly with federal funds. Based on available documentation, we were unable to identify the specific federal program(s) charged an allocated portion of the cost pool expenses, the type of contract based on its provisions and appendices, and the applicable CFRs as the CFRs appear to conflict with one another regarding the issue of profit.

We made a recommendation that HCDJFS review the applicable guidance, with assistance from ODJFS and other appropriate federal granting agencies, to determine whether a profit is allowable based on any restrictions by the federal funding sources of the Income Maintenance Cost Pool. We also referred this matter to the granting agencies for the federal programs charged by the Income Maintenance Cost Pool allocations for their consideration of whether the profit is allowable.

7. On September 11, 2006, we held an exit conference with the Hamilton County Administrator and representatives of the Hamilton County Department of Job and Family Services, the Hamilton County Prosecuting Attorney's Office, and the Hamilton County Auditor's Office. We held an exit conference on September 12, 2006, with the Hamilton County Juvenile Court Judges, members of their staff, and representatives of the Hamilton County Prosecuting Attorney's Office.

The attendees were informed that they had an opportunity to respond to this Special Audit Report. A response was received on September 14, 2006, from the Hamilton County Juvenile Court. A response was received on September 15, 2006, from the Hamilton County Administrator and Hamilton County Department of Job and Family Services. These responses were evaluated and modifications were made to the report as we deemed appropriate. In separate letters to the County Commissioners and Juvenile Court Judges dated June 27, 2006, we reported other matters of lesser significance involving internal control and noncompliance.



Betty Montgomery
Auditor of State

June 27, 2006

Supplement to the Special Audit Report

Acronyms

CS fund – Children Services fund accounts for the Children Services property tax levy, ProtectOhio, and other state and federal grant revenue. These funds were expended for foster care and other child-related programs.

CORe – Central Office Reporting system. ODJFS implemented this reporting system to identify revenues and expenditures by codes established within the system.

Child Support fund – Child Support fund accounts for activity related to court-ordered child support and paternity cases.

HCADAS – Hamilton County Alcohol and Drug Addiction Services Board provides alcohol and substance abuse counseling to Hamilton County residents.

HCCMHB – Hamilton County Community Mental Health Board provides mental health services to Hamilton County residents.

HCDJFS – Hamilton County Department of Job and Family Services is a combined agency responsible for managing the Public Assistance, Children Services, and Child Support funds.

HCFCFC – Hamilton County Family and Children First Council provides various programs including Help Me Grow and Wellness programs to the residents of Hamilton County.

HCJC – Hamilton County Juvenile Court operates the Hillcrest Training School and the Youth Center.

HCMRDD – Hamilton County Board of Mental Retardation and Developmental Disability provides assistance to residents diagnosed with mental retardation and developmental disabilities.

HCPAO – Hamilton County Prosecuting Attorney's Office provides legal advice to the various county agencies.

IH fund – Indigent Healthcare fund accounts for the receipt and expenditure of the Indigent Healthcare property tax levy proceeds.

I/M Cost Pool – Income/Maintenance Cost Pool. This funding mechanism was established by OAC Section 5101:9-1-04 (A) to allocate administrative costs to various Income/Maintenance grants within the PA fund.

IT – Inter-fund Transactions were used by county agencies/departments to remit payment, make cash transfers, and reimburse for services rendered by another county agency/department.

MCSA – Multi County System Agencies – The HCCMHB, HCDJFS, HCADAS, HCMRDD, and HCJC entered into a Memorandum of Understanding (MOU) to fund the costs of a managed care operation for multi-need foster children. The MOU referred to these agencies as the MCSA.

PA fund – Public Assistance fund accounts for Ohio Works First program, Temporary Assistance to Needy Family (TANF) program and additional grants used to benefit the general population of Hamilton County.

QuIC – Quarterly Information Consolidation–The system purchased by HCDJFS to electronically report financial data to ODJFS used in the CORe system on a quarterly basis.

SS Cost Pool – Social Services Cost Pool. This funding mechanism was established by OAC Section 5101:9-1-04 (B) to allocate administrative costs to various Social Services grants within the PA fund.

Shared Cost Pool – This funding mechanism was established by OAC Section 5101:9-1-05 to allocate agency-wide indirect costs applicable to the organizational unit(s) reporting to HCDJFS' director.

Supplement to the Special Audit Report

Background

In early 2003, the Ohio Department of Job and Family Services (ODJFS) contracted with the Health Care Contract Audit Section (HCCA) of the Auditor of State (AOS) to conduct an audit of the Hamilton County Department of Job and Family Services (HCDJFS). Based on the results of the HCCA audit, ODJFS initiated in August 2004 an audit of HCDJFS activity. While conducting the audit, ODJFS identified several issues relating to foster care which were subsequently referred to the AOS on October 19, 2004. Upon review of the issues and several meetings, the AOS and ODJFS developed a scope for a joint audit of the HCDJFS.

On November 10, 2004, the Auditor of State initiated a special audit of the HCDJFS.

The AOS special audit scope was to include examination of financial activity surrounding the Children Services property tax levy, the financial activity of the Multi-County System Agencies contract, expenditures related to the County's relationships with Magellan and Talbert House, and the financial activity of the Hillcrest Training School and Youth Center operated by the County's Juvenile Court.

ODJFS' scope was to include audits of the cost pools operated by the County to determine whether costs charged to pools were allowable based on the nature and purpose of the pools. Upon request from HCDJFS, ODJFS expanded the scope of their special audit to conduct a state fiscal year 2004 audit.

Supplement to the Special Audit Report

Issue No. 1 – Children Services’ Property Tax Levy

We identified proceeds from the Hamilton County Children Services property tax levies for the period July 1, 2001 through June 30, 2004, and determined whether they were posted in accordance with voter-approved levy language. We also determined whether expenditures and Inter-fund Transactions (IT) recorded in the Children Services fund (CS fund) were made in accordance with the voter-approved levy language, ProtectOhio requirements, and/or any restrictions applicable to the funding source.

Procedures

1. We identified the amount of the Hamilton County Children Services’ property tax levy (Levy) proceeds received during the period of July 1, 2001 through June 30, 2004.
2. We determined whether Levy proceeds identified in Procedure No. 1 were posted by the County Auditor’s Office to the fund(s) identified in the levy language.
3. We stratified expenditures from the CS fund and selected non-ProtectOhio coded expenditures equal to or exceeding \$50,000 and determined whether the expenditures were supported by documentation and for a purpose related to the voter-approved levy language and/or grant guidelines. We also selected 60 transactions identified as ProtectOhio expenditures and determined whether the expenditures were supported by documentation and in accordance with ProtectOhio requirements.
4. We stratified the IT report for the CS fund and selected ITs equal to or exceeding \$50,000 from the CS fund for testing. We examined supporting documentation to determine the nature of the IT and whether any transfers identified were in accordance with Ohio Rev. Code Sections 5705.14 to .16.

Results

1. Based on records maintained by the County Auditor’s Office, Hamilton County collected Levy proceeds totaling \$115,242,460 during the period July 1, 2001 through June 30, 2004.
2. In accordance with the voter-approved levy language, all of the Levy proceeds identified in Result No. 1 were posted to the CS fund. In addition to the Levy proceeds, revenue from ProtectOhio, Title IV-E Administration and Training (Title IV-E A & T), Title IV-B, State Child Protective Allocation (SCPA), Chafee, and various other state and federal grants were posted to the CS fund.

While reviewing the revenue activity of the CS fund, we noted the following for which we issued noncompliance citations and management recommendations:

- Contrary to federal requirements, HCDJFS posted funds from various sources to the CS fund but was unable to identify the amount of federal, state, and local funding sources received and how those funds were expended. HCDJFS stated in its January 24, 2006 response “... the local revenue sources in the Children’s Services fund available for transfer to the PA fund were property tax levy, Protect Ohio, and SCPA. Such revenue sources were treated as local funds upon receipt by HCDJFS. As to the amount of funds used from each source, HCDJFS has never been required by ODJFS to identify the actual sources of local funds.”
- Contrary to Ohio Administrative Code, Title IV-E A & T grant receipts totaling \$50,169,735, and SCPA receipts totaling \$14,126,560, were posted directly to funds other than the CS fund. The ultimate recipient of these receipts was the PA fund via either a transfer from another fund or from being directly posted to the PA fund upon receipt.

Supplement to the Special Audit Report

- HCDJFS inconsistently and inaccurately reported in the County Auditor's system the object level 3 code¹ for federal grant proceeds totaling \$56,465,989, as either "State grant receipts", "Other Reimbursements", or "Miscellaneous Receipts".
3. Using a County Auditor's Office prepared expenditure report we identified \$32,463,950 coded as non-ProtectOhio² expenditures in the CS fund. As a result of our stratification, we selected 189 expenditures totaling \$19,248,174 for testing. The expenditures were supported by documentation and in accordance with the voter-approved levy language and/or grant guidelines. However, we determined 71 of the 189 expenditures were not encumbered in accordance with Ohio Rev. Code 5705.41(D). A noncompliance citation was issued for failure to comply with these provisions.

According to records maintained by the County Auditor's Office, HCDJFS expended \$17,349,206 in ProtectOhio funds for the period July 1, 2001 through June 30, 2004. We selected 60 expenditures, totaling \$299,356, for testing. All but one of the tested expenditures was supported by documentation and in accordance with ProtectOhio requirements. We noted a \$10,090 payment made on February 6, 2004 for partial payment of a retroactive adoption assistance court settlement. We were unable to determine from a review of the available documentation whether this expenditure was a permissible ProtectOhio expense. A federal questioned cost was issued for \$10,090.

As noted in Result No. 2, HCDJFS could not identify the expenditure of federal funds due to the commingling of revenues. According to the County Auditor's Office, HCDJFS received \$57,669,156 of ProtectOhio funds and expended \$19,887,498 during the period January 1, 2001 through June 30, 2004.³ At June 30, 2004, the CS fund balance was \$10,057,601 which was insufficient to account for the entire variance. As such, we were unable to identify how HCDJFS expended the remaining ProtectOhio receipts totaling \$37,781,658. OMB Circular A-87 provides expenditures of federal funds are "to be adequately documented". A federal questioned cost was issued for \$37,781,658.

We also identified the following significant issues related to HCDJFS' accounting and reporting of ProtectOhio funds for which we issued noncompliance citations and recommendations:

- On its monthly JFS 02820 reports submitted to ODJFS, HCDJFS did not report ProtectOhio expenditures totaling \$37,781,658 noted above as required by Ohio Administrative Code.
- HCDJFS commingled ProtectOhio, Title IV-B, and Chafee Independent Living federal grant proceeds with other federal, state, and local revenues in the CS fund. Both the Title IV-B and Chafee grants require a local match. Due to commingling of federal and non-federal sources within the CS fund, HCDJFS was unable to demonstrate that other federal funds were not used to provide the local match for these programs. In its January 24, 2006 response, HCDJFS stated that "... the use of Protect Ohio may be one source of funding supporting the match for Title IV-B. HCDJFS has never identified, nor been required by ODJFS to identify, the actual source of local funds."
- The 1997 Demonstration Agreement entered into by HCDJFS and ODJFS, which defined the relationship and responsibilities between the parties for the implementation of Ohio's Title IV-E and Title IV-B demonstration project, expired September 30, 2002 and was not renewed during the period October 1, 2002 through June 30, 2004.

¹ Object Level 3 codes identifies the type of receipt being recorded in the County Auditor's Office financial records.

² Ohio Admin. Code Section 5101:9-6-25(A) states that "'ProtectOhio' is a child welfare demonstration project designed to reduce the number of children in foster care, decrease the amount of time children remain in foster care, and promote adoptions. The program allows greater flexibility in spending federal funds appropriated under Title IV-E of the Social Security Act (SSA) of 1935."

³ Because we were unable to determine the timeframe the advances covered, we reviewed the activity for the entire 2001 calendar year.

Supplement to the Special Audit Report

- The 1997 Demonstration Agreement between ODJFS and Hamilton County required the County to annually certify that sufficient local funds were available to provide federal grant matching requirements pursuant to the operation of the Demonstration project. In its December 21, 2005 response, HCDJFS stated that prior to November 23, 2005, ODJFS did not provide guidance on how to calculate the local match⁴. As a result, HCDJFS did not document the amount of local match provided for the federal grants.
4. Using the County Auditor's Office calendar year IT listing, we identified ITs from the CS fund to other funds totaling \$155,088,938. Using our stratification, we selected 82 ITs totaling \$145,321,587 for testing. We noted the following exceptions for which we issued findings for adjustment, noncompliance citations, and management comments:
- HCDJFS made transfers of \$108,488,579 from the CS fund, a restricted fund, to the PA fund. In its January 24, 2006 response, HCDJFS stated the "amount transferred to the PA fund from the Children's Services fund was used for reimbursement of PA fund expenditures including the TANF portion of Mandated Share." HCDJFS was unable to provide documentation supporting the specific expenditures reimbursed.

In May 2004, HCDJFS made a \$10 million transfer to reimburse the PA fund for children service expenditures and to remit \$3,531,838 for its 2004 TANF portion of Mandated Share. We did not take exception with the Mandated Share portion as it is a statutorily required payment, and an allowable use of local CS funds for which supporting documentation was available. HCDJFS was unable to provide documentation supporting the non-Mandated Share portion of this transfer. A recommendation was made for HCDJFS to use a separate IT for transferring the Mandated Share.

In responses dated September 23, 2005, December 7, 2005, and March 23, 2006, HCDJFS stated the \$104,956,741 transferred from the CS fund to the PA fund and \$13,110,262 of SCPA receipts and the \$50,169,735 of Title IV-E A & T receipts transferred from a County agency fund to the PA fund were used to reimburse the PA fund for costs incurred on behalf of the CS fund and the two programs. In addition, HCDJFS receipted \$1,016,298 of SCPA funds into the PA fund to reimburse the PA fund for costs incurred on behalf of the program.

HCDJFS was unable to provide documentation to substantiate the actual costs incurred. Also, HCDJFS further stated the expenses of the SCPA and Title IV-E A & T programs were funded through charges to the cost pools in the PA fund thus resulting in duplicate funding of the same costs. A recommendation was issued for HCDJFS to record revenues and related expenses within the same fund ensuring revenues received are expended for allowable purposes.

Based on the above facts, we issued a finding for adjustment against the PA fund in favor of the CS fund in the amount of \$169,253,036.

- HCDJFS made transfers totaling \$22,125,465 from the CS fund, a restricted fund, to the Child Support fund as a local match. A December 20, 2005, HCPAO opinion provided the children's services property tax levy could be used for this purpose. Based on the reconciliations attached to HCDJFS' March 23, 2006 response, the transfers were the local match not funded by available fees, state grants, and federal grants in the Child Support fund. To test that assertion, we calculated the ending Child Support fund balance for each calendar year excluding the ITs from the CS fund to the Child Support fund. Excluding the transfers, a \$12,877,327 deficit existed at December 31, 2004 in the Child support fund indicating that funds were needed from another available source (i.e., the CS fund) to cover the costs.

As such, we did not take exception with \$12,877,327 of levy funds used to reimburse the Child Support fund for the local match portion of actual expenditures incurred. HCDJFS was unable to document the use of the additional \$9,248,138.

⁴ We confirmed in a review of the Ohio Admin Code Section 5101:9-6-25 that ODJFS updated this section as of December 1, 2005 to address the matching requirements contained in the original Demonstration agreement.

Supplement to the Special Audit Report

Based on the above facts, we issued a finding for adjustment against the Child support fund for \$9,248,138 in favor of the CS fund.

- In its December 21, 2005 response, HCDJFS provided copies of worksheets reconciling the amount of match due to the Child Support fund from the CS fund. In its March 23, 2006 response, HCDJFS stated this reconciliation was completed on a budget basis and was not based on actual results. A recommendation was issued for HCDJFS to complete a reconciliation based on actual results to determine whether additional local match funds are needed or whether funds previously transferred should be returned.

As noted here and in Issues No. 4 and No. 5, the HCDJFS made transfers from restricted funds for which it could not document actual expenses being reimbursed. As a result we expanded our testing to include all ITs from the PA fund and the Child Support equal to or exceeding \$50,000. Our testing noted the following exceptions:

- In November 2001, HCDJFS reimbursed the Public Defenders Commission's General Fund \$843,113 from the PA fund for Guardian Ad Litem expenses which were unrelated to PA fund operations as described in the Ohio Revised Code. Guardian Ad Litem expenses were incurred when attorneys provided court representation to juveniles. In 2002 and 2003, HCDJFS reimbursed this expense using local funds from the CS fund which was established to provide children's services. To be consistent with other years' treatment of these expenses, we issued a finding for adjustment against the CS fund for \$843,113 in favor of the PA fund.

HCDJFS charged these expenses to the SS Cost Pool within the PA fund. Because it was outside the scope of our audit, these expenses were referred to ODJFS for their determination of whether these payments were allowable SS Cost Pool charges.

- In 2001 and 2002, HCDJFS reimbursed HCJC \$1,281,908 for dependency docket expenses from the PA fund. According to HCDJFS, the Dependency Department's role was to hear cases where child abuse, neglect and/or dependency have been alleged by HCDJFS or other agencies. In 2003 and 2004, HCDJFS reimbursed HCJC \$2.6 million of dependency docket expenses from the local and federal funds in the CS fund. Based on the description of the services rendered and the programs served by the PA and CS funds, these expenditures are related to the CS fund activities. We issued a finding for adjustment against the CS fund in favor of the PA fund for \$1,281,908.
- In 2003, HCDJFS paid the County Facilities Department \$565,016 from the PA fund for roofing repair and HVAC motor projects at the William Howard Taft Building, a HCDJFS building. Supporting documentation noted the total project costs were only \$553,898, resulting in an \$11,118 overpayment by HCDJFS. HCDJFS received a \$10,000 refund in December 2003 resulting in a \$1,118 net overpayment. A finding for adjustment was issued against the General Fund for \$1,118 in favor of the PA fund.
- From the PA fund, HCDJFS reimbursed County Facilities \$1,267,250 in 2001; \$154,781 in 2002 and \$329,188 in 2003 for Hillcrest Training School projects. Hillcrest Training School is operated by HCJC and the expenses were unrelated to HCDJFS' operations. A finding for adjustment was issued against the General Fund for \$1,751,219 in favor of the PA fund.
- As noted in this Issue and in other Issues of this report, HCDJFS charged \$77,082,180 to the SS Cost Pool, \$24,523,567 to the Shared Cost Pool and \$5,550,000 to the I/M Cost Pool for which we were unable to determine whether these were allowable cost pool charges. Because it was outside the scope of our audit, these expenses were referred to ODJFS for their determination of whether these expenditures were allowable charges to the respective cost pools.

Supplement to the Special Audit Report

- ODJFS calculated the amount of Title IV-E A & T funds due to the County based on the size of the SS Cost Pool. In Issues No. 1, No. 4 and No. 5, we issued findings for adjustment totaling \$7,365,144 for expenses incorrectly charged to the PA fund. HCDJFS charged these expenses to the SS Cost Pool within the PA fund thus inflating the SS Cost Pool amount used in calculating the funds due. Should these adjustments and any adjustments identified by ODJFS be posted, HCDJFS should request that ODJFS recalculate the reimbursement due and resolve any overpayment with ODJFS.
- Of 438 IT forms reviewed, 354 forms did not have a signature by both departments involved in the transaction. A recommendation was made for both departments to document authorization of the transaction on the IT form.
- The County Auditor's Office was unable to provide supporting documentation for 299 of the 438 ITs. HCDJFS was unable to provide supporting documentation for 312 of the 438 ITs. A noncompliance citation was issued for failure to maintain documentation supporting transactions as required by ODJFS' Administrative Procedure Manual.

We also noted the following internal control weaknesses and/or noncompliance during the review of ITs:

- HCDJFS identified PA fund receipts totaling \$46,561,549 as "Distribution of Undivided Taxes." However, these funds were received from the 960-11 fund which consisted of Title IV-E A & T and SCPA funds, not undivided taxes. A recommendation was made for HCDJFS to assign the transaction type based on the type of revenue received.
 - When HCDJFS transferred funds to the PA fund as reimbursement of expenditures from the CS fund, County Agency fund, and Child Support, HCDJFS recorded the transactions as "Reimbursement for Services" or "Miscellaneous Fees" revenue in the PA fund. As a result, transactions totaling \$75,544,264 in 2002, \$84,307,512 in 2003 and \$33,932,469 for the 1st half of 2004 were misclassified on the County's financial statements as Charges for Services revenue rather than a reduction of expenditures. A recommendation was made for HCDJFS to record reimbursement of expenditures incurred on behalf of another fund as a reduction of expenditure.
 - From a review of IT activity for the period January 1, 2000 through June 30, 2001, we noted many of the same activities that led to findings for adjustment in this report such as cash transfers from restricted funds for undocumented reimbursable expenses and payment of expenses from incorrect funds. We recommend that HCDJFS review the IT activity for that period in light of the findings in this report and make any necessary changes to its financial records to accurately account for the transactions.
5. In addition, we identified the following internal control weaknesses and/or non-compliance for which we have issued recommendations and/or noncompliance citations:
- HCDJFS stated upon receipt of financial data from the County Auditor's Office, HCDJFS adjusted the user codes assigned to the transactions prior to submitting the data to ODJFS in its monthly reports. HCDJFS did not maintain documentation supporting these coding changes and did not notify the County Auditor's Office of these changes. As a result, there may be significant variances within financial reporting categories as reported by the County Auditor's Office to external parties and the department level financial records. We recommend that HCDJFS notify the County Auditor's Office of any coding changes to accurately reflect HCDJFS' activity.
 - Prior to the start of the SFY '03 audit conducted by AOS HCCA on behalf of ODJFS, ODJFS had not conducted an audit of HCDJFS' operations for approximately 10 years. A recommendation was issued for ODJFS to conduct audits in a timely manner.

Supplement to the Special Audit Report

- We identified numerous inconsistencies in authoritative literature provided by ODJFS to the County DJFS' such as limited guidance on the recording of revenues and expenditures; reconciling of County records to CORE reports; maintaining documentation supporting coding changes in the CORE/QUIC systems; lack of explanation of the codes available; a lack of detailed guidance of the types of expenditures eligible for each cost pool; and lack of explanation for changes to the Certification of Funds reports. We made recommendations to ODJFS regarding these issues.

Federal Questioned Costs

ProtectOhio Expenditures

OMB Circular A-87 Attachment A Section (C)(1)(j) provides "to be allowable under Federal awards, costs must meet the following general criteria: Be adequately documented."

HCDJFS recorded receipts of \$57,669,156 and expenditures of \$19,887,498 during the period of January 1, 2001 through June 30, 2004 in the County Auditor's Office records. At June 30, 2004, the CS fund balance was \$10,057,601 and was insufficient to account for the entire variance. As such, we were unable to identify how HCDJFS expended ProtectOhio funds totaling \$37,781,658.

In addition, HCDJFS expensed \$10,090 of ProtectOhio funds for payment to a foster parent for a retroactive adoption assistance court settlement. Based on available documentation, we were unable to determine whether this expenditure was an allowable use of ProtectOhio funds.

A federal questioned cost is hereby issued for \$37,791,748 for Title IV-E Waiver (ProtectOhio) program.

Findings for Adjustment

Transfers from CS Fund to PA Fund

Ohio Rev. Code Section 5101.14.1 (F) states "All federal financial participation funds received by a county pursuant to this section shall be deposited into the county's children services fund created pursuant to Section 5101.144 of the Revised Code." Such funds included Title IV-E A & T and SCPA. Additionally, Ohio Rev. Code Section 5705.10 states in part, "(m)oney paid into any fund shall be used only for the purposes for which such fund is established."

For the period July 1, 2001 through June 30, 2004, the County transferred \$104,956,741 from the CS fund, a restricted fund, to the PA fund. HCDJFS asserted the transfers were for reimbursement of expenditures by the PA fund on behalf of the CS fund. HCDJFS also asserted it transferred \$50,169,735 of Title IV-E A & T funds and \$13,110,262 of SCPA funds from a restricted County agency fund to the PA fund to reimburse for expenditures incurred in the PA fund for these programs.

HCDJFS receipted \$1,016,298 of SCPA funds directly to the PA fund to reimburse the PA fund for expenses incurred for this program.

A finding for adjustment is hereby issued against the PA fund for \$169,253,036 in favor of the CS fund.

We recommend when HCDJFS reimburses a fund for expenditures, it should specifically identify the transactions being reimbursed, maintain documentation identifying the expenditures, and record the reimbursement in the fund as a reduction of expenditure.

Transfers from CS Fund to Child Support

In its December 21, 2005 response, HCDJFS provided a December 20, 2005 prosecutorial opinion stating after review of the Ohio Administrative Code and 45 CFR 304.30, "it is our opinion that in its reasonable discretion, the Hamilton County Department of Job and Family Services, as the public agency responsible for the Children Services Fund, can provide for the payment of the local match for the County CSEA program directly to the Hamilton County CSEA from the Hamilton County Children Services fund."

Supplement to the Special Audit Report

For the period July 1, 2001 through June 30, 2004, the County transferred \$22,125,465 from the CS fund to the Child Support. HCDJFS provided in its March 23, 2006 response, a budget reconciliation asserting the amount transferred was for its local match of expenditures not covered by other funding sources within the fund.

To test this assertion, we calculated the ending Child Support balance for each calendar year excluding the \$22,125,465 transferred during the period. Excluding the \$22,125,465, a \$12,877,327 deficit balance existed in the Child Support at December 31, 2004. HCDJFS was unable to document the use of the additional \$9,248,138.

A finding for adjustment is hereby issued against the Child Support for \$9,248,138 in favor of the CS fund.

Guardian Ad Litem Expenditures

In November 2001, HCDJFS reimbursed the General Fund \$843,113 for Guardian Ad Litem expenses incurred by the Public Defender's Office from the PA fund. These expenses were unrelated to the PA fund's responsibilities described in Ohio Rev. Code Section 5101.16. In CY 2002 and 2003, HCDJFS reimbursed the General Fund for these costs from the CS fund.

A finding for adjustment is hereby issued against the CS fund in favor of the PA fund for \$843,113.

Dependency Docket Expenses

The PA fund reimbursed the General Fund \$1,281,908 for dependency docket expenses during 2001 and 2002. In its June 16, 2005 response, HCDJFS stated the "role of the Dependency Department is to hear cases where child abuse, neglect and/or dependency have been alleged by an agency, primarily the Department of Human Services." For 2002 and 2003, HCDJFS used local and federal funds in the CS fund to reimburse the General Fund for these expenses. Based on the description of the services rendered and the programs served by the PA fund, the dependency docket expenses should have been reimbursed by the CS fund and not the PA fund.

A finding for adjustment is hereby issued against the CS fund for \$1,281,908 in favor of the PA fund.

PA Fund Construction Projects

In 2003, HCDJFS paid the County Facilities Department for roofing repairs and HVAC motor projects at a HCDJFS building totaling \$565,016 from the PA fund. Supporting documentation noted the total project costs were \$553,898 resulting in an \$11,118 overpayment by HCDJFS. In December 2003, HCDJFS was refunded \$10,000 from the General Fund for its overpayment resulting in a net overpayment of \$1,118 by HCDJFS.

During July 1, 2001 through June 30, 2004, the PA fund reimbursed the County Facilities Department for Hillcrest Training School construction projects totaling \$1,751,219 for projects unrelated to HCDJFS' operations. HCJC operated Hillcrest Training School during this period.

A finding for adjustment is hereby issued against the General Fund in favor of the PA fund for \$1,752,337.

Noncompliance Citations

Title IV-E Receipts

Ohio Admin. Code Section 5101:9-6-28, provides in part: "Any administrative or training cost charged to the Title IV-E program may not be charged concurrently to another federal program." Ohio Rev. Code, Section 5101.14.1 (F) states "All federal financial participation funds received by a county pursuant to this section shall be deposited into the county's children services fund created pursuant to section 5101.144 of the Revised Code."

Title IV-E A & T receipts totaling \$50,169,735 were initially receipted into an agency fund and subsequently transferred to the PA fund.

Failure to receipt grant funds in designated funds increases the risk the funds will be expended for unallowable purposes resulting in potential findings and/or questioned costs. This could adversely affect HCDJFS' future funding.

Supplement to the Special Audit Report

We recommend that HCDJFS post all grant monies to the designated fund as indicated in the Ohio Rev. Code, Ohio Admin. Code, and ODJFS' Administrative Procedure Manual. We noted beginning January 1, 2004 HCDJFS received these funds in the CS fund as required.

SCPA Receipts

Ohio Admin. Code, Section 5101:9-6-19(A) states "(w)ith the consent of the county, the SCPA is issued to the county agency responsible for children services. This allocation assists in meeting the expense of services to children." Part (B)⁵ states "(t)his allocation consists of state child protective services funds, state foster parent day care funds, and state kinship care funds. Funds received by the county agency must be deposited in the county's children services fund."

SCPA receipts totaling \$13,110,262 were initially received into an agency fund and subsequently transferred to the PA fund. Also, SCPA receipts totaling \$1,016,298 were received directly into the PA fund.

Failure to receipt grant funds in designated funds increases the risk the funds will be expended for unallowable purposes resulting in potential findings and/or questioned costs. This could adversely affect HCDJFS' future funding.

We recommend that HCDJFS post all grant monies to the designated fund as indicated in the Ohio Rev. Code, Ohio Admin. Code, and ODJFS' Administrative Procedure Manual. We noted beginning January 1, 2004 HCDJFS received these funds in the CS fund as required.

Failure to Record ProtectOhio Activity on Form 02820

Ohio Admin. Code Section 5101:9-6-25 (H)⁶ stated in part: "revenues and expenditures, including actual Foster Care Maintenance (FCM) payments relating to "protectOhio" must be reported on the JFS 02820." APM Section 7901 states the "purpose of the JFS 02820 Children Services Monthly Financial Statement is to report children services expenditures for reimbursement and receipt of revenues and disbursements from the Child Welfare fund."

In response to AOS inquiry, HCDJFS asserted that certain expenditures it identified were a "mere demonstration of those areas in which ProtectOhio could have been potentially utilized..." The expenditures identified by HCDJFS were recorded in the PA fund and not the CS fund. The CS fund activity was reported on the JFS 02820. No mechanism existed to record the expenditure of ProtectOhio funds in the PA fund.

We recommend activity relating to the expenditure of ProtectOhio funds be recorded in the CS fund using the QuIC /CORE codes provided by ODJFS and subsequently reported on the monthly JFS 02820.

Failure to Comply with Match Requirement

Section III of the 1997 Demonstration Agreement between ODJFS and Hamilton County stated "(t)he PCSA agrees to annually certify to ODHS, in the manner prescribed by it for this purpose, an adequate level of allowable funds necessary to provide matching funds for the federal funds distributed to the PCSA pursuant to the operation of the Demonstration."

HCDJFS stated prior to November 23, 2005, HCDJFS had not received guidance on how to calculate the match⁷. As a result, HCDJFS did not document the amount of local match provided for the federal grant. Failure to identify compliance provisions and monitor compliance could result in loss of future funding.

When unsure, HCDJFS should request guidance from the grantor agency for clarification of grant provisions to ensure compliance. ODJFS should ensure guidance is provided to all CDJFS' in a timely manner for provisions contained in their agreements.

⁵ Effective December 15, 2005, Section 5101:9-6-19(B) provides "... The combined funds received by the county agency must be deposited in the county's children services fund."

⁶ This provision is located in Ohio Admin Code Section 5101:9-6-25 (R) effective December 1, 2005.

⁷ We confirmed by review of Ohio Admin Code Section 5101:9-6-25 that ODJFS updated this section as of December 1, 2005 to address the matching requirements contained in the original Demonstration Agreement.

Supplement to the Special Audit Report

Commingling of Funds

OMB Circular A-133 Section C § .300(as revised on June 30, 1997) required the County to “identify, in its accounts, all Federal awards received and expended and the Federal Programs under which they were received.” OMB Circular A-87 Attachment A Section (C)(1)(j) provides “to be allowable under Federal awards, costs must meet the following general criteria:…Be adequately documented.”

Children Service property tax levy, ProtectOhio, Title IV-E, Title IV-B, Child Welfare Title XX, State Child Protective Allocation, and Chafee proceeds were recorded in the CS fund. HCDJFS was unable to identify the expenses or balances of unexpended funds related to each specific source.

We recommend HCDJFS separately account for each grant received to ensure the funding source for each expenditure can be adequately identified. In addition, we recommend HCDJFS review the county and ODJFS account codes and accurately code receipts and expenditures to describe the type and source of funds.

Use of Federal Funds for Local Match

OMB Circular A-87 Attachment A Part C(1)(h) provides that costs must meet the following general criteria: “Not be included as a cost or used to meet cost sharing or matching requirements of any other federal award in either the current or a prior period, except as specifically provided by Federal law or regulation.”

HCDJFS received federal funds for Title IV-B and Chafee into the CS fund. In addition to these two federal grants, property tax levy proceeds, ProtectOhio federal grant proceeds, SCPA proceeds, and other funds were received into the CS fund. In a response, HCDJFS stated that “the use of ProtectOhio may be one source of funding supporting the match for Title IV-B. HCDJFS has never identified, nor been required by ODJFS to identify, the actual source of local funds.” Both the Title IV-B and Chafee grants require a local match. However, HCDJFS was unable to demonstrate that other federal funds were not used to provide the local match for these programs.

We recommend HCDJFS assign a grant number to each grant received; establish the grant numbers with the County Auditor’s office, and assign the related grant number to each transaction processed. By using the grant function in the County Auditor’s Office, HCDJFS will be able to identify the source and application of funds and ensure federal funds are not used to meet matching requirements.

Accounting for U.S. Department of HHS Federal Grants

45 CFR 1355.30 identifies the regulations applicable to all programs funded under Titles IV-B and IV-E of the Social Security Act. Section (i) identifies the following regulation to be complied with: “45 CFR Part 92 – Uniform Administrative Requirements for Grants and Cooperative Agreements to State and Local Governments.”

45 CFR 92.20 (a)(1) provides “...(f)iscal control and accounting procedures of the State, as well as its subgrantees and cost-type contractors, must be sufficient to ... (2) (p)ermit the tracing of funds to a level of expenditures adequate to establish that such funds have not been used in violation of the restrictions and prohibitions of applicable statutes.”

45 CFR 92.20 (b)(2) provides “Accounting records. Grantees and subgrantees must maintain records which adequately identify the source and application of funds provided for financially-assisted activities. These records must contain information pertaining to grant or subgrant awards and authorizations, obligations, unobligated balances, assets, liabilities, outlays or expenditures, and income.”

HCDJFS received Title IV-B subpart 1 and 2 and Chafee Independent Living federal grants. The accounting system of user codes prescribed by ODJFS for use by HCDJFS does not permit HCDJFS to identify the expenditures by grant due to the commingling of expenses in the indirect cost pools and payment of administrative expenses from the PA fund.

We recommend HCDJFS establish grant numbers with the County Auditor’s Office and assign the grant numbers to each transaction processed through the County Auditor’s Office. This will permit HCDJFS to track the source and application of grant funds in compliance with these requirements.

Supplement to the Special Audit Report

In addition, ODJFS should consider whether modifications to its financial reporting system are required to ensure compliance with these regulations.

Maintaining Records

APM Section 9302 (1) provides HCDJFS' "(d)ocumentation must conform to all requirements prescribed by ODJFS, state statute or administrative rule, and federal statute or regulation..... The auditee must maintain documentation which permits reconstruction of all transactions and the proper completion of all reports required by state and federal law or regulations, and which substantiates compliance with applicable state and federal law and regulations."

During the audit, we were unable to obtain the following from HCDJFS for review:

- Documentation supporting 299 of the 438 ITs selected for testing.
- Documentation supporting specific PA fund expenses totaling \$169,253,036 reimbursed by the CS fund. In its January 24, 2006 response, HCDJFS responded "some expenses were direct expenses which are available on the download. Other expenses cannot be provided because administrative expenses for child welfare activities are charged to the Social Services cost pool as a result of the SSRMS time study hits."
- Documentation supporting Child Support expenses reimbursed from the CS fund totaling \$9,248,138.
- Exhibit A of the 1997 Demonstration Agreement containing the federal terms and conditions.

We recommend the County Auditor's Office and HCDJFS establish procedures for filing and maintaining adequate supporting documentation for ITs, reimbursements between funds, and contracts and related exhibits. Additionally, periodic reviews should be conducted to verify the procedures are being followed. This will assist in tracking records and providing assurance that adequate supporting documentation exists and is retained.

Failure to Encumber

Ohio Rev. Code Section 5705.41(D)(1) prohibits a subdivision or taxing entity from making any contract or ordering any expenditure of money unless a certificate signed by the fiscal officer is attached thereto. The fiscal officer must certify that the amount required to meet any such contract or expenditure has been lawfully appropriated and is in the treasury, or is in the process of collection to the credit of an appropriate fund free from any previous encumbrances.

There are several exceptions to the standard requirement stated above that a fiscal officer's certificate must be obtained prior to a subdivision or taxing authority entering into a contract or order involving the expenditure of money. The main exceptions are: "then and now" certificates, blanket certificates, and super blanket certificates, which are provided for in sections 5705.41 (D)(1) and 5705.41 (D)(3) of the Ohio Revised Code.

1. "Then and Now" Certificates - If the fiscal officer can certify that both at the time that the contract or order was made ("then"), and at the time that the fiscal officer is completing the certification ("now"), that sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any previous encumbrances, the County can authorize the drawing of a warrant for the payment of the amount due. The County has thirty days from the receipt of the "then and now" certificate to approve payment by ordinance or resolution.

Amounts of less than \$100 may be paid by the fiscal officer without a resolution or ordinance upon completion of the "then and now" certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the County.

Supplement to the Special Audit Report

2. Blanket Certificate – Fiscal officers may prepare “blanket” certifications for a certain sum of money not in excess of an amount established by resolution or ordinance adopted by a majority of the members of the legislative authority against any specific line item account over a period not running beyond the end of the current fiscal year. (Prior to September 26, 2003, blanket certificates were limited to \$5,000 and three months.) The blanket certificates may, but need not, be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation.
3. Super Blanket Certificates – The County may also make expenditures and contracts for any amount from a specific line-item appropriation account in a specified fund upon certification of the fiscal officer for most professional services, fuel, oil, food items, and any other specific recurring and reasonably predictable operating expense. This certification is not to extend beyond the current year. More than one super blanket certificate may be outstanding at a particular time for any line item appropriation.”

We identified 71 of the 189 expenditures in this Issue; 42 of 197 expenditures in Issue No. 4; and 57 of 143 expenditures in Issue No. 5 were invoiced prior to the issuance of a purchase order.

We recommend HCDJFS comply with the encumbering requirements contained in this section.

Management Recommendations

Prior Audit Period Activity

We reviewed transactions recorded by the Hamilton County Auditor’s Office for the period of January 1, 2000 through June 30, 2001 in the PA, CS, and Child Supports and identified the following transactions processed in a manner similar to the findings for adjustment reported in this Issue and Issues No. 4 and No. 5:

- Transfers from the CS fund to the PA fund of \$33,237,527 and to the Child Support of \$6,761,818.
- Reimbursement of expenses to the General Fund from the PA fund for expenses incurred for Hillcrest Training School of \$13,196,728; Youth Center of \$496,500; dependency docket expenses of \$2,227,513, and Guardian Ad Litem expenses of \$719,125.
- Reimbursement from the PA fund of construction projects at Hillcrest Training School, totaling \$740,350.

For our audit period, we reported these transactions were not recorded in accordance with Ohio Rev. Code requirements, prosecutorial opinions, and/or were unrelated to PA fund activities as described in Ohio Rev. Code Section 5101.16.

We recommend Hamilton County review its records for the period of January 1, 2000 through June 30, 2001 for these types of transactions and adjust its records in the manner prescribed in the findings for adjustment contained in this report. Should any adjustments for the identified transactions be posted, HCDJFS should request assistance from ODJFS to record the related adjustments on monthly reports previously submitted to ODJFS.

Title IV-E Administration and Training Funding

In this Issue and Issues No. 4, and No. 5, we issued findings for adjustments totaling \$30,637,263 for expenses incorrectly paid from the PA fund. Of the \$30,637,263, \$7,365,144 was charged to the SS Cost Pool.

Ohio Admin Code Section 5101:9-6-28 provides the calculation of the Title IV-E A & T due to HCDJFS. The calculation takes into consideration the size of the SS Cost Pool. By posting these adjustments, the size of the SS Cost Pool will decrease resulting in a smaller allocation of Title IV-E Administration and Training funds due to HCDJFS.

Supplement to the Special Audit Report

Upon posting of these adjustments, we recommend HCDJFS request ODJFS recalculate the Title IV-E A & T funds due to HCDJFS based on the revised SS Cost Pool expenditures and resolve any overpayments identified by ODJFS. In addition, HCDJFS should request assistance from ODJFS to record the adjustments posted on monthly reports previously submitted to ODJFS.

Monitoring of HCDJFS

Article III, Section (b), of the Fiscal Agreement entered into by the Hamilton County Commissioners and ODJFS stated "ODJFS will provide timely audits of family services agencies in accordance with Ohio Administrative Code rules 5101:9-9-29." Ohio Administrative Code Section 5101:9-9-29 (G) states "ODJFS may perform or provide for the performance of any audits within the scope of this rule. The timing, frequency, scope and objectives of audits may vary with ODJFS' assessment of audit needs and available resources of the ODJFS."

Prior to the start of the SFY '03 audit conducted by the AOS' Health Care Contract Audit Section on behalf of ODJFS, ODJFS had not conducted an audit of HCDJFS' operations for approximately 10 years. In a timeline provided by HCDJFS, HCDJFS stated it was notified of this audit on August 20, 2003 and that it was the first audit to be conducted since 1993.

As part of this special audit, we reported expenses which we are unable to determine whether the expenses met the definition of a shared (\$24,523,567); social services (\$77,082,180); or income maintenance (\$5,550,000) administrative expense. These transactions were referred to ODJFS for further review and determination of whether the expenses were allowable charges to the cost pools. In addition, we questioned approximately \$37.7 million of ProtectOhio expenditures because we were unable to obtain documentation supporting how these federal funds were expended.

When deciding which counties to review each year, we recommend ODJFS consider the complexity of the programs offered, the amount of funds distributed to the county department of job and family services, the length of time since its last review; and the available manpower. ODJFS should complete audits in a timely manner to ensure discrepancies are resolved quickly and corrective action is taken in a timely fashion.

Public Assistance Fund Cost Pools

The PA fund contains the Shared, Income/Maintenance, and Social Services Cost Pools which account for indirect costs related to various program areas. Random Moment Sampling (RMS) Observation forms are used in conjunction with the expenses charged to the cost pools and related Full Time Equivalents (FTE's) to calculate the reimbursement due to the PA fund from the CS fund, the Child Support, and ODJFS.

Ohio Admin Code Section 5101:9-1-05 (A) provides guidance relating to indirect costs to be allocated to the Shared Cost Pool. Ohio Admin. Code Section 5101:9-1-04 provides guidance for indirect costs to be allocated to the I/M and SS Cost Pools.

Throughout this report we identified \$24,523,567 charged to the Shared Cost Pool; \$5,550,000 charged to the I/M Cost Pool; and \$77,082,180 charged to the SS Cost Pool which we were unable to determine whether they were allowable cost pool charges.

We recommend HCDJFS review ODJFS' cost allocation plan regarding allowable expenditures for these cost pools to determine the type of expenditures to be charged to each cost pool. Should HCDJFS have a question about eligibility of an expense, it should contact ODJFS for further clarification.

We referred the above expenditures to ODJFS for further determination of whether these expenditures were allowable cost pool charges. If adjustments are posted by HCDJFS and/or the County Auditor's Office, HCDJFS should request assistance from ODJFS to record the adjustments on monthly reports previously submitted to ODJFS.

Supplement to the Special Audit Report

Indirect Cost Pools

ODJFS' Cost Allocation Plan Section V provides guidance for the "County Level Organizations and Programs." Section V-B-1 provides definitions and examples of direct costs for the various programs including those for the SS Cost Pool. Section V-B-3 discusses the allocation of the costs utilizing RMS and defines Social Services administrative costs as "as salary, related compensation and operational costs inclusive of rent, leases, utilities, supplies, etc., for all employees assigned to social service/child welfare program areas; and may include administrative contracts related to all SS program areas."

HCDJFS coded and submitted on its monthly reports expenses unrelated to the social service/child welfare program area operated by HCDJFS. Expenses included reimbursement to HCJC for Hillcrest Training School's and the Youth Center's operating expenses; reimbursement to County Facilities Department for Hillcrest Training School construction projects; and reimbursement to the HCPAO for guardian ad litem and dependency docket expenses. These expenses were incurred by departments other than HCDJFS.

Prior to including expenses in the indirect cost pools for services performed by outside agencies, we recommend HCDJFS obtain clarification from ODJFS whether such expenditures are permissible cost pool expenses.

ODJFS should update its cost allocation plan to provide detailed guidance of the types of permissible expenses addressing whether the expense is for work performed by CDJFS employees or outside agencies and including examples of expenditures which should not be included in the cost pool. In cases where ODJFS responds to a CDJFS that an expense is not permissible, ODJFS should also notify the other CDJFS of the expense deemed unallowable to ensure the other CDJFS are excluding the expense from its cost pool.

Transfers to Child Support

During the period July 1, 2001 through June 30, 2004, HCDJFS used ITs to transfer \$22,125,465 from the CS fund to the Child Support. In response to requests for supporting documentation, HCDJFS provided copies of the CSEA reconciliation spreadsheets which were prepared on a budgetary basis.

Failure to reconcile using actual activity in the Child Support can result in levy funds being unnecessarily transferred. We identified \$9,248,138 in levy funds unnecessarily transferred and have issued a finding for adjustment accordingly.

Should HCDJFS want to transfer funds at the beginning of the year for cash flow purposes, HCDJFS should reconcile at year end the actual expenses incurred during the year to the actual funding received during the year to determine whether levy funds were transferred in excess of the expenditures incurred in the fund. If excess levy funds were transferred, these funds should be returned to the CS fund to ensure the funds are spent in accordance with the voter-approved levy language.

Matching of Revenues and Expenses

HCDJFS is a combined agency in which administrative expenses were required to be paid by the PA fund for Children Services and Child Support Enforcement Agency activities. In the case of Children Services, ODJFS required the receipt of various state and federal grants into the CS fund. However, many of the expenses of these grants such as salaries were allocated within the PA fund using an RMS allocation. Recording receipts and expenses of a program in different funds does not allow matching of the expenses to the receipts for the purposes of ensuring fiscal accountability and accurate financial reporting. This could result in grant funds being spent for purposes other than those specified in the grant guidelines.

We recommend ODJFS consider amending its guidelines to record the revenues and expenses in the same fund to ensure the revenues received are expended for the specified purposes. In addition, we recommend HCDJFS assign grant numbers and use these numbers with every transaction processed by the County Auditor's Office to identify the amount of expenses related to the specific revenue.

Supplement to the Special Audit Report

Reporting Changes to County Auditor's Office

Each month HCDJFS obtains a download of its financial activity from the County Auditor's Office for the PA, CS, and the Child Supports. Upon receipt of this download, HCDJFS loads the information into its Oracle system and modifies the user codes as needed for reporting to ODJFS.

HCDJFS stated that these reclassifications were not forwarded to the County Auditor's Office for modification in its records. Failure to maintain documentation supporting the code classifications and failure to notify the County Auditor's Office of changes to the user code may cause significant variances in the financial activity reported by the two sources.

We recommend HCDJFS maintain support documenting the reclassification, the rationale for the classification, and the reconciliation of these numbers to those maintained by the County Auditor's Office. In addition, HCDJFS should work with the County Auditor's Office to implement a policy of when changes should be forwarded to the County Auditor's Office taking into consideration that the changes may have an effect on the recording of the revenues and expenses in the County's financial statements.

Accounting for Revenue Received – County Auditor

HCDJFS assigned object level 3 and/or transaction codes for the County Auditor's Office to record its activity in the financial records. We noted HCDJFS inaccurately reported the object level 3 code to the County Auditor's Office for federal grant receipts totaling \$56,465,989 as either State grant proceeds, Other Reimbursements or Miscellaneous Receipts. In addition, HCDJFS identified receipts totaling \$46,561,549 in the PA fund as "Distribution of Undivided Taxes" when these funds were received from the 960-11 fund and consisted of Title IV-E A & T and SCPA funds.

When HCDJFS transferred funds to the PA fund, HCDJFS recorded the transactions as Reimbursement for Services revenue. As a result, transactions totaling \$75,544,284 in 2002, \$84,307,512 in 2003, and \$33,932,469 for January – June 2004 were reported on the Hamilton County's financial statements as Charges for Services revenue. HCDJFS stated these transactions were reimbursement of expenditures incurred on the behalf of the other funds. As such, these reimbursements should have been recorded as a reduction of expenditures.

Such errors could result in material misstatement of revenue line items reported on the financial statements, misspending of restricted funds, and federal questioned costs.

We recommend that HCDJFS review the county's account coding manual; post receipts with the appropriate object level 3 and transaction codes; and contact the County Auditor's Office for guidance when questions arise on how to record a transaction.

Monitoring of Grants

The signed ProtectOhio demonstration agreement provided by HCDJFS expired September 30, 2002. HCDJFS was able to locate emails discussing the extension of this program to September 30, 2004. However, HCDJFS did not provide documentation that it had contacted ODJFS to confirm continuation of the program guidelines from year to year. Failure to monitor expiration dates of agreements and grant programs could result in a loss of funding for future projects or noncompliance with changes in requirements.

We recommend HCDJFS monitor each of the grants it receives from ODJFS and other agencies to ensure no lapses in future funding or noncompliance with changed grant provisions.

ODJFS Guidance

In correspondence with HCDJFS, we noted the following:

- Revenue and expense codes assigned to ODJFS forms in the Administrative Procedure Manual Index and the CORE Manual did not have a detailed explanation of how the codes were to be used.
- The Administrative Procedure Manual did not provide specific guidance as to which fund receipts from federal grants, such as Title IV-E, Chafee, Child Welfare Services and Title IV-B, should be recorded.

Supplement to the Special Audit Report

- The Administrative Procedure Manual and Ohio Administrative Code provided limited guidance on where expenses should be recorded. Both indicated the expenses can be reported on either the JFS 02820 or 02827 forms but did not specifically provide guidance on the types of expenses to be recorded on each form.
- The Ohio Administrative Code references the federal regulations and grant requirements for both revenue and expenditures. Neither included references to these requirements for each funding stream's receipts and expenditures.
- ODJFS did not always provide documentation to HCDJFS to support changes made by it to the Certification of Funds report.

Failure to provide the CDJFS' a complete and accurate understanding of the funding sources; how to account for the programs; and the codes available to identify the revenues and expenditures in its funding system could result in the CDJFS expending funds for unintended purposes.

We recommend ODJFS provide clear and consistent guidance to the CDJFS' to ensure compliance with state and federal laws and regulations. Additionally, we recommend HCDJFS obtain clarification from ODJFS when guidance provided is unclear and review available APM, OAC, ORC and federal guidelines for compliance with the requirements. ODJFS should provide a sufficient detailed explanation and supporting documentation to the CDJFS' when making changes to previous distributions to ensure CDJFS' understand the rationale for the change and can make the related adjustments to its records.

TANF Portion of Mandated Share

For 2002 and 2003, we noted the Mandated Share's TANF portion was transferred via IT to the PA fund. However, for 2004 we were unable to verify the required portion was transferred from the ITs provided for review. Ohio Administrative Code Section 5101:9-10-31 (E) and (F) provides the County Commissioners must appropriate and transfer the "Mandated Share" described in (B) to the Public Assistance fund. Mandated Share is composed of a TANF portion and a Non-TANF portion. HCDJFS used its CS fund to fund the TANF portion of Mandated Share in accordance with a Prosecutorial Opinion. HCDJFS asserted that the TANF portion of Mandated Share was commingled with reimbursements due to the PA fund from the CS fund.

We recommend HCDJFS use a separate IT when processing the required Mandated Share transfer and additional reimbursements to the CS fund to document compliance with the above-mentioned requirement.

IT Authorizations

The County Auditor's Office required the use of an IT form when County agencies/departments remitted payments to each other. The form included a place for both the agency/department billing and paying the amounts to sign the IT. Of the 438 ITs reviewed, we noted 354 forms did not have a signature by both departments involved. Failure to document authorization by the department preparing the billing and the department being billed can result in unauthorized payments.

We recommend the County Auditor's Office establish written procedures for completing ITs addressing authorization and documentation requirements.

Supplement to the Special Audit Report

Issue No. 2 – Multi-County System Agencies Contracts

For the period July 1, 2001 through June 30, 2004, we determined if the Multi-County System Agencies⁸ (Members), fiscal agents, and service providers maintained supporting documentation for expenditures and Inter-fund Transactions. We also determined whether the expenditures and Inter-fund Transactions were made in accordance with Memorandums of Understanding and contracts; and whether the services were rendered and allowable.

Procedures

Multi County System Agencies Contributions

1. We obtained an expenditure report from the Hamilton County Auditor's Office and identified the payments made by the Members to the MCSA Fiscal Agent for the period July 1, 2001 through June 30, 2004.
2. We determined whether the Members' payments to the MCSA Fiscal Agent were supported and in accordance with the Memorandums of Understanding.
3. From each of the Members, we obtained representations identifying the funding source of Member contributions and whether the Member requested reimbursement from a federal grant or charged another federal program for its contribution to the MCSA.

Creative Connections

4. We obtained an expenditure report from the Hamilton County Auditor's Office and identified the payments made by MCSA Fiscal Agent to Creative Connections for the period July 1, 2001 through June 30, 2004.
5. We stratified payments to Creative Connections and selected payments in excess of \$250,000 and determined whether the payments were supported, in accordance with the contract, allowable, and whether services were rendered.
6. We identified payments made by Creative Connections to selected service providers for the period July 1, 2001 through June 30, 2004.
7. We selected payments made by Creative Connections to four selected service providers and determined whether the payments were supported, in accordance with the contract, allowable, and whether services were rendered.
8. For individuals identified as receiving services in Procedure No. 7, we compared the names and social security numbers of those receiving services to those submitted to Medicaid for reimbursement. We determined whether the service providers received Medicaid reimbursement for services also funded by Creative Connections.
9. For individuals identified as receiving services obtained in Procedure No. 7, we compared the names of those receiving services to those submitted to Magellan⁹ and Hamilton Choices for payment of services rendered. We determined whether the service providers received payment from Magellan and/or Hamilton Choices for services paid by Creative Connections.

⁸ The HCCMHB, HCDJFS, HCADAS, HCMRDD, and HCJC entered into a Memorandum of Understanding (MOU) July 10, 2002 to fund the costs of a managed care operation for multi-need foster children. The MOU referred to these agencies as the MCSA. Prior to July 10, 2002, a similar funding structure was established by county agreement between the identified county agencies and HCFD; however, the arrangement was not referred to as the MCSA.

⁹ See Issue No. 3 Result No.1 for a description of the contractual relationship between HCDJFS and Magellan.

Supplement to the Special Audit Report

Hamilton Choices

10. We obtained an expenditure report from the Hamilton County Auditor's Office and identified the payments made by MCSA Fiscal Agent to Hamilton Choices for the period November 1, 2002 through June 30, 2004.
11. We stratified payments to Hamilton Choices and selected payments in excess of \$250,000 and determined whether the payments were supported, in accordance with the contract, allowable, and whether services were rendered.
12. We identified payments made by Hamilton Choices to selected service providers for the period of November 1, 2002 through June 30, 2004.
13. We selected payments made by Hamilton Choices to four selected service providers and determined whether the payments were supported, in accordance with the contract, allowable, and whether services were rendered.
14. For individuals identified as receiving services in Procedure No. 13, we compared the names and social security numbers of those receiving services to those submitted to Medicaid for reimbursement and determined whether the service providers received Medicaid reimbursement for services also funded by Hamilton Choices.
15. For individuals identified as receiving services obtained in Procedure No. 13, we compared the names of those receiving services to those submitted to Magellan and Creative Connections for payment of services rendered. We determined whether the service providers received payment from Magellan and/or Creative Connections for services paid by Hamilton Choices.

Results

Multi-County System Agencies (MCSA)

1. On November 1, 1998, HCDJFS, HCCMHB, HCMRDD, HCJC and HCADAS entered into a county agreement for the "provision and management of social services to selected Hamilton County youth" and created the MCSA¹⁰. The county agreement stated HCFCFC would act as the MCSA's fiscal agent and also included the Member contribution percentages used to fund the contract with a third party administrator to manage services provided. In addition, HCFCFC was responsible for collecting additional contributions to fund provisions contained in the third-party administrator contracts such as interest income, state cluster grant income, and operating losses.

For the period November 1, 1998 through October 31, 2002, the MCSA contracted with Beech Acres¹¹ to operate the managed care system in which contracted service providers provided foster care and counseling services to high-risk multi-need youths. For the period November 1, 2002 through June 30, 2004, the MCSA contracted with Hamilton Choices to operate the managed care system.

¹⁰ See footnote No. 8.

¹¹ Beech Acres provided these services through its Creative Connections program.

Supplement to the Special Audit Report

According to records in the County Auditor's Office, during the period July 1, 2001 through June 30, 2004, Members made the following quarterly and other contributions to the MCSA Fiscal Agent¹²:

Agency	Quarterly Contributions	Other Contributions
HCDJFS**	\$8,507,307	\$1,484,729
HCCMHB	8,093,700	405,730
HCMRDD	4,628,968	157,249
HCJC	1,819,872	86,929
HCADAS	<u>231,181</u>	<u>8,636</u>
	<u>\$23,281,028</u>	<u>\$2,143,273</u>

** - Due to the commingling of MCSA activity within the PA fund, we were unable to identify HCDJFS' contributions to the MCSA for the period July 1, 2002 through June 30, 2004.

As the MCSA Fiscal Agent, HCDJFS did not account for member contributions and the payments to Hamilton Choices within the same Organizational Cost Account. Therefore, we were unable to match the Members' contributions to the payments to Hamilton Choices. A recommendation was made for HCDJFS to establish an internal service fund for better fiscal accountability and reporting by matching Member contributions and contractual payments.

We noted HCDJFS received a \$574,000 refund from the Creative Connections program in the PA fund. This refund was received from Creative Connections as a result of Creative Connections reconciliation of payments received to services rendered for the period July 1, 2002 through October 31, 2002. Due to the commingling of this refund in the PA fund, we were unable to determine how this refund was expended. A recommendation was made for the MCSA Members to review the refund received and determine whether any refunds are due to the Members.

- Based on percentages contained in the county agreement, MOUs, and the yearly contract budgets, we recalculated each Member's quarterly contributions due in accordance with the contract terms for the period July 1, 2001 through June 30, 2004. We reviewed documentation supporting the actual payments of quarterly contributions and determined the following agencies paid in excess of their required quarterly contributions: HCCMHB (\$37,544); HCMRDD (\$81,785); and HCJC (\$11,250). We recommend that the MCSA Finance Committee resolve these overpayments with the affected MCSA Members.

We recalculated the amount due by each Member agency for the Creative Connections contract closeouts¹³ and outlier expenses¹⁴ during the period and identified the following exceptions:

- There is no record that HCADAS paid \$4,563 for its share of the contract year 3 remaining outlier expenses invoiced by HCFCFC on September 25, 2001.
- During the period July 1, 2001 through June 30, 2002, HCDJFS paid \$79,429 to HCFCFC in excess of its amount due for outlier expenses. However, two invoices, totaling \$15,376, issued for HCDJFS' outlier expenses were paid by HCFCFC without funding from HCDJFS. As a result, HCDJFS overpaid the MCSA \$64,053 during July 1, 2001 through June 30, 2002.

We recommend HCFCFC, HCDJFS and HCADAS review and resolve these potential under- and over-payments.

¹² During the period July 1, 2001 through June 30, 2002, HCFCFC was the MCSA Fiscal Agent. Beginning July 1, 2002, and through the end of the audit period, HCDJFS was the MCSA Fiscal Agent.

¹³ The contract between the MCSA fiscal agent, and Beech Acres guaranteed for operating the Creative Connections program that Beech Acres would receive a minimum amount of interest and state cluster revenue each year. At the end of each contract year, Beech Acres as Creative Connections calculated the interest and cluster revenue shortages and the operating deficit/profit of the program. These costs were billed to the MCSA and allocated by the MCSA to its Members based on percentages contained in the county agreement and MOUs.

¹⁴ Outlier Expenses occurred when the services provided to a youth exceeded \$7,000 per month. If this occurred, the expenses were allocated between Creative Connections and the MCSA.

Supplement to the Special Audit Report

3. With exception of HCADAS, the Members represented that they used locally or state generated funds for their contributions to the MCSA and did not seek reimbursement from a federal grant or charge the contribution to a federal program. For the period July 1, 2001 through June 30, 2003, HCADAS asserted it used a federal block grant from the Ohio Department of Drug and Alcohol Addiction Services (ODADAS). For the period July 1, 2003 through June 30, 2004, HCADAS used its HB 484 State Per Capita grant. We referred this to ODADAS for their determination of whether these contributions were allowable grant expenditures.

We also noted for the period July 1, 2001 through June 30, 2002 HCDJFS charged \$9,522,369 to the PA fund's SS Cost Pool. Because it was outside the scope of our audit, these charges were referred to ODJFS for their determination of whether they were allowable cost pool charges.

Creative Connections

4. According to the County Auditor's records, the MCSA Fiscal Agent made 30 payments, totaling \$25,177,622, to Creative Connections for services rendered during the period July 1, 2001 through October 31, 2002. As the MCSA Fiscal Agent, HCDJFS charged 2002 Creative Connections program payments totaling \$5,736,010 to the PA fund's SS Cost Pool. Because it is outside the scope of our audit, these charges to the cost pool were referred to ODJFS for their determination of whether they were allowable cost pool charges.
5. As a result of our stratification, we selected 18 payments to Creative Connections, totaling \$24,066,534, for testing. We reviewed available supporting documentation and determined the payments were for services rendered, supported by documentation, allowable, and in accordance with the contract.
6. We selected four service providers to determine whether payments were supported, in accordance with the contract, allowable, and the related services were rendered. The service providers selected for testing were: Beech Acres (\$1,197,619); Lighthouse Youth Services (\$2,050,046); Pressley Ridge (\$656,856); and Talbert House (\$234,977).
7. From the payments identified in Result No. 6, we selected invoices issued by the service providers for further review:

<u>Service Provider</u>	<u>Total # of Invoices</u>	<u># of Invoices Tested</u>	<u>Amount Tested</u>
Beech Acres	82	19	\$ 816,997
Lighthouse Youth Services	52	11	1,350,801
Pressley Ridge	30	15	545,330
Talbert House	<u>44</u>	<u>8</u>	<u>156,151</u>
	<u>208</u>	<u>53</u>	<u>\$ 2,869,279</u>

We reviewed available supporting documentation for 53 invoices and determined payments were supported, in accordance with the contract, and allowable with one exception.

We noted three instances, totaling \$2,996, where Lighthouse Youth Services received duplicate payment for services or received payment for days on which no services were provided. We issued a finding for recovery against Lighthouse Youth Services for these instances.

We selected 20 children for testing from each service provider identified in Result No. 6 to determine whether the services invoiced were rendered. If services invoiced for the selected month were daily services, we reviewed documentation supporting the services rendered from the selected month through October 31, 2002. If services provided were on an hourly basis, we reviewed the documentation supporting services rendered for that month.

Supplement to the Special Audit Report

Our testing noted the following exceptions:

- For two children, Beech Acres received \$1,054 in excess of the authorized service level. A finding for recovery was proposed against Beech Acres for \$1,054. Beech Acres repaid this finding.
 - Lighthouse Youth Services received payment for 19 days for four children that did not reside in the group home per attendance records. Using the contract rate of \$136 per day, they were overpaid \$2,584. A finding for recovery was issued against Lighthouse Youth Services for \$2,584.
 - Talbert House received \$601 in excess of authorized service levels or for services billed at an incorrect rate. A finding for recovery was proposed against Talbert House for \$601. Talbert House repaid this finding.
8. We obtained a payment history identifying the children that received services paid for by Creative Connections for the four service providers during the period July 1, 2001 through June 30, 2004. AOS' Health Care Contract Audit Section compared the list of children and related social security numbers to the Medstat¹⁵ database and identified claims paid by Medicaid to each of the four service providers during the period July 1, 2001 through October 31, 2002¹⁶. We compared the service dates and types of service billed by the service provider to those paid by Creative Connections and Medicaid and determined no duplicate payments occurred.
9. Using the payment history identified in Result No. 8, we compared the names of children that received services through the contract with Creative Connections to those submitted by the service providers to Magellan and Hamilton Choices for payment of services and determined no duplicate payments occurred.

Hamilton Choices

10. According to the County Auditor's Office, the MCSA Fiscal Agent made 44 payments, totaling \$20,642,492, to Hamilton Choices for services rendered during the period November 1, 2002 through June 30, 2004. As the MCSA Fiscal Agent, HCDJFS charged payments totaling \$9,386,474 to the PA fund's SS Cost Pool. Because it is outside the scope of our audit, these charges to the cost pool were referred to ODJFS for their determination of whether they were allowable cost pool charges.
11. As a result of our stratification, we selected 20 payments, totaling \$17,768,401, for testing. We reviewed available supporting documentation and determined the payments were for services rendered, supported, allowable, and in accordance with the contract.
12. We selected four service providers to determine whether payments were supported, in accordance with the contract, allowable, and whether the related services were rendered. The service providers selected for testing were: Beech Acres (\$841,997); Lighthouse Youth Services (\$1,265,300); Pressley Ridge (\$1,129,588); and Talbert House (\$386,300).
13. From the payments identified in Result No. 12, we selected invoices from the service providers for further review:

Service Provider	Total # of Invoices Paid	# of Invoices Tested	Amount Tested
Beech Acres	37	14	\$ 680,245
Lighthouse Youth Services	134	18	424,118
Pressley Ridge	20	16	1,076,251
Talbert House	<u>35</u>	<u>11</u>	<u>265,636</u>
	<u>226</u>	<u>59</u>	<u>\$ 2,446,250</u>

¹⁵ The Medstat database contains a listing of all Medicaid payments issued by ODJFS to service providers for the related individuals.

¹⁶ The Creative Connections program ended on October 31, 2002.

Supplement to the Special Audit Report

We reviewed available supporting documentation for the 59 invoices and determined the payments were supported and allowable. Hamilton Choices made payments to the service providers in accordance with the contract provisions with the exception of making the payments to the service provider within 45 days of receipt of the invoice. Hamilton Choices was verbally notified by AOS of this noncompliance.

We selected 20 children for testing from each service provider identified in Result No. 12 to determine whether the services invoiced were rendered. If services invoiced for the selected month were daily services, we reviewed documentation supporting the services rendered from the selected month through June 30, 2004. If services provided were on an hourly basis, we reviewed the documentation supporting services rendered for that month. Our testing noted the following exceptions:

- Beech Acres received payments totaling \$727 for services billed in error and for services billed twice. A finding for recovery was proposed against Beech Acres for \$727. Beech Acres repaid this finding.
- Beech Acres (\$1,695), Lighthouse Youth Services (\$57,054), and Talbert House (\$396) were unable to provide documentation supporting services were rendered. We recommend Hamilton Choices monitor its sub-contractors to ensure service providers maintain documentation supporting services rendered.
- Talbert House inconsistently billed for services rendered to children who were absent without leave, in detention, at the hospital, or using a weekend pass. We recommend Hamilton Choices ensure service providers have policies addressing the billing of services in these instances and ensure consistent billing of these services.
- Hamilton Choices often provided verbal authorization of services to be rendered to a child. However, no documentation supporting this verbal authorization was subsequently provided to the service provider for its records. We recommend Hamilton Choices provide documentation supporting verbal authorizations to the service providers for its records ensuring only authorized services are billed by the provider.

14. We obtained a payment history from Hamilton Choices identifying the children that received services paid by Hamilton Choices to the four service providers during the period November 1, 2002 through June 30, 2004. AOS' Health Care Contract Audit Section compared the list of children and related social security numbers to the Medstat¹⁷ database and identified claims paid by Medicaid to each of the four service providers. We then compared the service dates and types of service billed by the service provider to those paid by Hamilton Choices and Medicaid.

Beech Acres had two instances in which it received payments totaling \$105 from both Hamilton Choices and Medicaid for the same service. Because these costs were paid by another source, they are not Medicaid allowable expenses so we issued a federal questioned cost for \$105 in Issue No. 3.

15. Using the payment history identified in Result No. 14 we compared the names of children that received services paid through the contract with Hamilton Choices to those submitted by the service providers to Magellan and Creative Connections for payment of services and determined no duplicate payments occurred.

Findings for Recovery

Creative Connections – Beech Acres

Section 1.2.2 of the contract between the HCFCFC and Beech Acres for operation of the Creative Connections program stated "Beech Acres shall authorize the Non Medicaid Reimbursable Direct Services to be provided by Provider(s) before referring an Enrollee for such services."

¹⁷ See footnote No. 15.

Supplement to the Special Audit Report

During the period, we noted an instance where Beech Acres was authorized to provide services totaling \$2,160. However, Beech Acres received payments totaling \$3,214 resulting in a \$1,054 overpayment.

In accordance with the foregoing facts and pursuant to Ohio Revised Code Section 117.28, a finding for recovery was proposed against Beech Acres for public money illegally expended of \$1,054 in favor of HCDJFS as the MCSA Fiscal Agent. On September 18, 2006, Beech Acres repaid this finding.

Creative Connections Overpayment – Lighthouse Youth Services

We noted one instance totaling \$234 where Lighthouse Youth Services received a duplicate payment for services. In addition, we determined Lighthouse Youth Services received payment for 42 days for five children in which no services were rendered. Using the contract rate for the services paid, they were overpaid \$5,346.

In accordance with the foregoing facts and pursuant to Ohio Revised Code Section 117.28, a finding for recovery is hereby issued against Lighthouse Youth Services for public money illegally expended of \$5,580 in favor of HCDJFS as the MCSA Fiscal Agent.

Creative Connections Overpayment – Talbert House

Section 1.2.2 of the contract between the HCFMFC and Beech Acres for operation of the Creative Connections program stated "Beech Acres shall authorize the Non Medicaid Reimbursable Direct Services to be provided by Provider(s) before referring an Enrollee for such services."

We noted instances where Talbert House was authorized to provide services totaling \$4,467. However, Talbert House received payments totaling \$4,854 resulting in a \$387 overpayment.

In addition, Talbert House submitted and billed for \$5,793 of Residential Treatment 1 Services. According to the contract rate schedule Talbert House should have been paid \$5,579 for these services, resulting in an overpayment of \$214.

In accordance with the foregoing facts and pursuant to Ohio Revised Code Section 117.28, a finding for recovery was proposed against Talbert House for public money illegally expended of \$601 in favor of HCDJFS as the MCSA Fiscal Agent. On September 18, 2006, Talbert House repaid this finding.

Hamilton Choices – Beech Acres

In response to our request for payment clarification, Beech Acres stated 14 hours, totaling \$360, were billed to Hamilton Choices in error and 13 hours, totaling \$367, were billed to Hamilton Choices twice resulting in an overpayment of \$727.

In accordance with the foregoing facts and pursuant to Ohio Revised Code Section 117.28, a finding for recovery was proposed against Beech Acres for public money illegally expended for \$727 in favor of HCDJFS as the MCSA Fiscal Agent. On September 18, 2006, Beech Acres repaid this finding.

Management Recommendations

Multi-County System Agencies (MCSA)

On July 1, 2002, HCDJFS became the fiscal agent for the MCSA. Responsibilities included obtaining contributions from the Members, complying with the terms for contribution collection, and paying the invoices submitted by Hamilton Choices. HCDJFS accounted for MCSA revenues and expenditures in various Organizational Cost Accounts (OCAs) within the PA fund. While reviewing MCSA's activity, we identified the following:

- HCDJFS did not identify in its financial records its contributions to the MCSA. As a result, we were unable to confirm that HCDJFS' contributions were in accordance with the Memorandum of Understanding. In addition, we were unable to determine an allowable funding source was used to fund its contributions.
- Because the revenue and expenses were recorded in different OCAs, we were unable to determine whether MCSA contributions were used to fund the Hamilton Choices contract.

Supplement to the Special Audit Report

- HCDJFS reported the entire cost of the Hamilton Choices contract on its JFS 02827 form as a SS Cost Pool expense when only a portion of the contract was HCDJFS' expense. In its revised June 2004 JFS 02827 form, HCDJFS recoded a portion of the SFY 2004 contract cost to non-reimbursable contracts but did not adjust for the costs incurred in SFY 2003.

Failure to account for all MCSA activity within the same OCA code may result in contributions being used for purposes other than the Hamilton Choices contract and could result in noncompliance with contract provisions.

We recommend Hamilton County establish an internal service fund to account for the contributions and expenditures of the MCSA. The MCSA Finance Committee should periodically review the transactions and determine whether changes in the contribution amounts and/or the Hamilton Choices contract should be made.

MCSA Payments to HCFCFC

During the period July 1, 2001 through June 30, 2002, HCFCFC served as the MCSA's fiscal agent and was responsible for billing the MCSA Members for contributions and other expenses in accordance with the MOU. When recalculating the amounts due by the Members for outlier expenses, we identified the following:

- For contract year 3, HCDJFS was required to pay 55.25% of the remainder outlier costs of \$456,237, or \$252,071. Instead, HCDJFS paid \$331,500 to HCFCFC as an estimated contribution resulting in an overpayment of \$79,429. However, we identified two payments by HCFCFC totaling \$15,376 for outlier expenses which were not funded by HCDJFS. As a result, HCFCFC received \$64,053 from HCDJFS in excess of amounts due.
- For contract year 3, we were unable to verify HCDJFS remitted \$4,563 for its share of the outlier expenses.

We recommend HCDJFS, HCFCFC, and HCDJFS review the above transactions and determine whether an overpayment or underpayment exists for each of these agencies and resolve these matters accordingly.

MCSA Contributions

During the period July 1, 2002 through June 30, 2004, HCDJFS served as fiscal agent of the MCSA and was responsible for billing the MCSA Member's for contributions in accordance with the Memorandum of Understanding. While recalculating the Members' quarterly contributions due, we determined HCCMHB, HCDJFS and HCDJFS remitted contributions in excess of required contributions totaling \$37,544, \$81,785 and \$11,250, respectively.

In addition, we noted HCDJFS receipted into the PA fund a \$574,000 refund from Creative Connections for its final reconciliation of services paid versus services rendered. We were unable to determine how this refund was expended.

We recommend the MCSA Finance Committee resolve these overpayments with the affected MCSA members through repayment of the excess contribution or reduction of future required contributions. In addition, the MCSA should review documentation supporting the refund received and determine how the refund should be distributed between its Members.

Verbal Authorizations

Hamilton Choices often provided a verbal authorization of services but did not send documentation supporting the authorization to the service provider for its records. Without documented authorization, the service providers' records reflected potential overpayments. However, the Hamilton Choices final authorization reports included additional authorizations previously not received by the service provider eliminating the potential overpayments.

Supplement to the Special Audit Report

When verbal authorizations occur, Hamilton Choices should provide written documentation supporting the verbal authorization to limit confusion on the services authorized and ensure only authorized services were billed.

Monitoring of Service Providers

Service providers were unable to provide documentation supporting \$59,145 of services paid by Hamilton Choices. In addition, policies regarding the billing of services when a child was absent without leave, in detention, hospitalized, or utilizing a weekend pass were applied inconsistently. Currently, Hamilton Choices does not perform on-site reviews of records maintained by the service providers. Failure to maintain adequate documentation and comply with policies can result in payment for services not rendered.

We recommend that Hamilton Choices perform periodic reviews of on-site files to determine whether documentation supporting the services billed is maintained and applicable policies are followed. In addition, Hamilton Choices should implement policies addressing when the service providers are to receive payment for services rendered to children who are absent without leave, in detention, hospitalized, or using a weekend pass.

Supplement to the Special Audit Report

Issue No. 3 – Magellan¹⁸ Contracts

For the period July 1, 2000 through June 30, 2004, we identified the relationship between HCDJFS and Magellan and determined whether payments to Magellan and related service providers were supported by documentation; made in accordance with contract terms; and whether the services were provided and allowable.

Procedures

1. We conducted interviews with HCDJFS personnel and selected service providers and reviewed financial statements and IRS filings to identify the types of services Magellan provided and Magellan's funding sources.
2. We obtained from the County Auditor's Office a listing of payments from HCDJFS to Magellan for the period of July 1, 2000 through June 30, 2004.
3. We stratified the payments to Magellan and selected payments equal to or in excess of \$500,000 and determined whether the payments were supported, in accordance with the contract, allowable, and for services rendered.
4. We identified payments made by Magellan to selected service providers for the period of July 1, 2000 through June 30, 2004.
5. We selected payments Magellan made to selected service providers and determined whether the payments were supported, in accordance with the contract, allowable, and for services rendered.
6. We compared the names of individuals that received services as identified by Procedure No. 5 to the individuals submitted for payment to Creative Connections and Hamilton Choices via the MCSA and determined whether the service providers received payment from both Magellan and the MCSA for the same services.
7. We compared the names of individuals that received services as identified by Procedure No. 6 to the individuals submitted to Medicaid for reimbursement and determined whether the service providers received Medicaid reimbursement for services paid by Magellan.

Results

1. According to its Articles of Incorporation, Magellan¹⁹ was incorporated in Ohio on March 14, 1997 to "provide and manage services for a broad number of vulnerable, at-risk, high-cost public sector behavioral health and human services population." On August 27, 1997, HCDJFS, HCCMHB, and HCADAS, as a partnership team (the Team), entered into a contract with Magellan to provide these services for the period September 1, 1997 through August 31, 2002. Additional contracts were entered into covering the period September 1, 2002 through February 28, 2004, to allow for the transition from Magellan to HCDJFS for provision of these services.

As part of the agreements, Magellan agreed to develop and operate a management information system accessible to the Team and to the service providers who would be providing child welfare, mental health, and drug and alcohol addiction treatment services to children and families served by the Team. At the end of the contract, the computer system and related assets were provided to the Team for continued operation of the network.

¹⁸ Magellan refers to both Magellan Public Solutions (MPS) and Magellan Behavioral Health (MBH).

¹⁹ The March 13, 1997 Articles of Incorporation reflect the official name as Magellan Public Solutions. A couple of years into the contract, MPS began acquiring other managed care systems and changed its name in January 1999 to Magellan Behavioral Health. On March 11, 2003, Magellan Behavioral Health filed for Chapter 11 Bankruptcy. Following completion of its contractual obligations to HCDJFS, Magellan Behavioral Health closed its offices in Hamilton County.

Supplement to the Special Audit Report

While under contract with the Team, Magellan’s revenue sources were the administrative and service costs received for the services rendered.

2. According to County Auditor records, HCDJFS made 122 payments, totaling \$97,030,206, to Magellan for administrative costs and services rendered during the period July 1, 2000 through February 28, 2004. HCDJFS charged 59 of the 122 payments, totaling \$45,353,853, to the PA fund’s SS Cost Pool. Because it was not in the scope of our audit, these charges were referred to ODJFS for determination of whether these charges were allowable cost pool charges.
3. Using our stratification, we selected 46 payments, totaling \$83,656,178, for testing. Based on review of available supporting documentation for these payments, we determined the payments were supported, for services rendered, allowable, and in accordance with the contract.
4. We selected five service providers to determine whether payments during the period of July 1, 2000 through June 30, 2004, were supported by documentation, allowable, in accordance with the contract, and for services rendered. The service providers selected for testing were: Beech Acres (\$5,365,366); The Crossroads Center (\$298,151); Lighthouse Youth Services (\$12,810,641); Pressley Ridge (\$1,914,687); and Talbert House (\$212,623).
5. From the service providers identified in Result No. 4, we selected the following invoices for further review:

Service Provider	# of Invoices Tested	Amount Tested
Beech Acres	12	\$ 2,087,459
The Crossroads Center	7	71,347
Lighthouse Youth Services	22	2,634,949
Pressley Ridge	14	890,044
Talbert House	<u>8</u>	<u>133,335</u>
	<u>63</u>	<u>\$ 5,817,134</u>

For the selected 63 invoices, we reviewed available supporting documentation and determined the payments were supported, in accordance with the contract, and allowable.

We selected 20 children from each service provider and reviewed supporting documentation to determine whether the services were rendered. If services invoiced for the selected month were daily services, we reviewed documentation supporting the services rendered from the selected month through February 28, 2004. If services provided were on an hourly basis, we reviewed the documentation supporting services rendered for that month. With the exception of two children at Beech Acres, we determined the services paid by Magellan were rendered by the service providers.

Beech Acres billed and received payments totaling \$1,872 for services charged for two children after they were discharged from the program. We proposed a finding for recovery against Beech Acres for \$1,872. Beech Acres repaid this finding.

6. From Magellan’s CMHC system, we obtained a listing of clients and services paid by Magellan for the five service providers for services rendered during July 1, 2000 through June 30, 2004. We compared the listing of children by service provider identified as receiving payment for services from Magellan to those identified as receiving payment for services by Creative Connections or Hamilton Choices through the MCSA. We identified no instances in which services paid for by Magellan were also billed and paid for by Creative Connections or Hamilton Choices who were acting as the MCSA’s third party administrator.

Supplement to the Special Audit Report

7. Using the client list obtained in Result No. 6, AOS' Health Care Contract Audit Section compared the list of clients and related social security numbers to the Medstat²⁰ database and identified claims paid by Medicaid to each of the five service providers during the period July 1, 2000 through June 30, 2004. We compared the service dates and types of service billed by the service provider to those paid by Magellan and Medicaid to identify any duplicate billings and/or payments.

Our testing noted the following exceptions:

Beech Acres

The comparison identified 46 instances in which the client's service dates and type of service were reflected in both Magellan CMHC system and the Medstat database. Additional inquiry of Beech Acres regarding the matches identified four instances, totaling \$245, whereby Beech Acres received payment for the same service from Magellan and Medicaid. Because these costs were paid by another source, they were not Medicaid allowable expenses so we issued a federal questioned cost for \$245.

Pressley Ridge

The comparison identified 302 instances in which the service dates and type of service for a client were reflected in Magellan's CMHC system and the Medstat database. Additional inquiry of Pressley Ridge regarding the matches identified 15 instances, totaling \$938, whereby Pressley Ridge received payment for the same services from Magellan and Medicaid. Because these costs were paid by another source, they were not Medicaid allowable expenses so we issued a federal questioned cost for \$938.

Federal Questioned Cost

Duplicate Billing

42 USC Section 1396k(a)(1)(A) and (C) provides "for the purpose of assisting in the collection of medical support payments and other payments for medical care owed to recipients of medical assistance under the state plan approved under this subchapter, a State plan for medical assistance shall – (1) provide that, as a condition of eligibility for medical assistance under the State plan to an individual who has the legal capacity to execute an assignment for himself, the individual is required – (a) to assign the state any rights, of the individual or of any other person who is eligible for medical assistance under this subchapter and on whose behalf the individual has the legal authority to execute an assignment of such rights, to support (specified as support for the purpose of medical care by a court or administrative order) and to payment for medical care from any third party; (c) to cooperate with the State in identifying, and providing information to assist the State in pursuing, any third party who may be liable to pay for care and services available under the plan."

During the period, Pressley Ridge and Beech Acres received payment for the same services from Magellan and Medicaid, in the amounts of \$938 and \$245, respectively. In Issue No. 2, we identified Beech Acres received payment for services, totaling \$105, by both Medicaid and Creative Connections. Both agencies indicated in their written response that these amounts were overpayments and that they were unable to locate any repayment to Medicaid. Because these costs were paid by another source, these were not Medicaid allowable expenses.

A federal questioned cost is hereby issued for \$1,288 for the Medicaid program.

Finding for Recovery

Overpayments to Beech Acres

Beech Acres received payment for a total of 26 days after a child was discharged from the program. Based on contractual provisions and discussions with Beech Acres representatives, Beech Acres was permitted to charge for the first service day but not the last service day. As a result, Beech Acres received payment for 26 days at a contract rate of \$72 per day or \$1,872 in which no services were rendered.

²⁰ See footnote No. 15.

Supplement to the Special Audit Report

In accordance with the foregoing facts and pursuant to Ohio Revised Code Section 117.28, a finding for recovery was proposed against Beech Acres for public money illegally expended for \$1,872 in favor of HCDJFS' PA fund. On September 18, 2006, Beech Acres repaid this finding.

Supplement to the Special Audit Report

Issue No. 4 – Hamilton County Juvenile Court – Hillcrest Training School

For the period July 1, 2001 through June 30, 2004, we identified the sources of revenue for Hamilton County Juvenile Court’s Hillcrest Training School (School) and determined whether expenditures and Inter-fund Transactions (IT) for the operation of this facility were made in accordance with any restrictions applicable to the funding source.

Procedures

1. We interviewed HCJC personnel and reviewed annual reports and grant agreements to obtain an understanding of the School’s operations.
2. We reviewed the School’s revenue ledger and related IT listing and identified the amount of revenue received from tax levies, reimbursements, state grants, and federal grants. In addition, we determined whether the revenues/ITs received were for School-related purposes and were in accordance with Ohio Rev. Code Sections 5705.14 to .16, prosecutorial opinions, and grant agreements.
3. We stratified the School’s expenditures and ITs and selected all transactions equal to or exceeding \$5,000. We determined whether the transactions were supported by documentation and expended in accordance with any restrictions placed on the funds by the revenue source.

Results

1. According to the HCJC’s website and Steve Rokich, HCJC Finance Director, the School maintains approximately 118 treatment beds and 24 assessment beds to house adjudicated, male youths placed by HCJC. While at the facility, the youths receive psychological and psychiatric evaluations; individual counseling, and crisis intervention services. The youths are also assigned to either the substance abuse, sex offender, or disruptive behavior programs for additional counseling. Beginning in 2004, the School maintained 12 additional beds for comprehensive psychological and criminological assessments for girls referred by the Court.
2. During the audit period the School received the following revenue posted to the County’s General Fund²¹:

<u>Description</u>	<u>Source</u>	<u>Amount</u>
Transfers from the PA fund	HCDJFS	\$25,304,391
Educational Subsidy	Payments from Juveniles’ Home School District	5,118,951
Contract Reimbursement	Various County Agencies	959,318
Levy Proceeds	Indigent Healthcare Levy	360,000
Juvenile Court Subsidy	Ohio Department of Youth Services	345,803
State Children Services Subsidy	HCDJFS	340,917
National School Lunch and Breakfast Program	Ohio Department of Education via HCJC	316,691
Miscellaneous Grants	Various State Agencies	175,107
Learn and Earn Program	HCDJFS	58,632
Miscellaneous Receipts	Various Sources	16,123
State Grants	Various State Agencies	14,825
		<u>\$33,010,758</u>

²¹ These transactions are identified within the General Fund as Department 40 and specific Organizational Cost Accounts related to the School.

Supplement to the Special Audit Report

We reviewed available documentation supporting revenues and ITs received and determined the revenues were related to the School's operations and in accordance with Ohio Rev. Code Sections 5705.14 to .16, prosecutorial opinions, and/or grant agreements with the following exception:

Reimbursement of School Expenses

Inconsistent with a March 30, 1998, HCPAO opinion permitting the use of Children Services Levy proceeds for a portion of the services provided by the School, HCDJFS reimbursed HCJC \$25,035,199 for the School's expenses from the PA fund instead of the CS fund. The Children Services Levy proceeds are receipted into the CS fund. The reimbursed expenses were unrelated to the PA fund's purposes as described in Ohio Rev. Code Section 5101.16. A finding for adjustment was issued against the CS fund in favor of the PA fund for \$25,035,199 for these expenses.

In 2001, HCDJFS charged \$3.4 million of the \$25,035,199 to the PA fund's SS Cost Pool and for the remaining years charged \$21,635,199 to the PA fund's Shared Cost Pool. Because it is not in the scope of our audit, these charges to the cost pools were referred to ODJFS for determination of whether they were allowable cost pool charges.

3. According to the County Auditor's Office, the School expended \$29,592,703 during the period July 1, 2001 through June 30, 2004. Using our stratification, we selected 197 expenditures, totaling \$2,548,463, for testing. Our examination noted the expenditures were supported by documentation and were expended in accordance with any restrictions placed on the funds with the following exceptions:
 - Of 197 expenditures tested, 42 were not encumbered in accordance with Ohio Rev. Code Section 5705.41(D). A noncompliance citation was reported in Issue No. 1 for failure to comply with these provisions.
 - We identified three ITs and related journal entries (JEs) totaling \$44,915 transferred expenses from the General Fund to the Juvenile Accountability Incentive Block Grant (JAIBG). HCJC had previously purchased a Bobcat Pioneer Club Car (\$10,975) and completed a cottage camera project (\$33,940) for the School. Upon further review, the ITs and JEs were used by the HCJC to transfer these equipment purchases from the School to the JAIBG. The approved grant budget did not include the purchase of these items. We issued a federal questioned cost of the JAIBG program for \$44,915.

We were unable to reconcile the JAIBG grant expenses per HCJC's records to the Final Expenditure report for the grant. A noncompliance citation was issued for failure to obtain permission for additional purchases from grant funds and failure to maintain documentation identifying the actual receipts and expenditures reported on the Final Expenditure Report.

Federal Questioned Cost

Juvenile Accountability Incentive Block Grant (JAIBG)

28 CFR 31.500 states "funds are available under the Juvenile Accountability Incentive Block Grant (JAIBG) in FY 1998, FY 1999, and each subsequent fiscal year as funds are made available, for State and local grants to support the following program purposes..." As a condition of the grant, HCJC was required to comply with the Ohio Department of Youth Services' (ODYS) Standard Federal Subgrant Conditions.

Chapter 6 provided "the subgrantee must immediately submit in writing to ODYS all requests for programmatic and/or budget changes." In addition, Chapter 12 stated "the subgrantee is allowed to purchase equipment and other capital assets, including repairs that materially increase their useful life, with prior approval."

HCJC used \$44,915 of grant funds to purchase a Bobcat Pioneer Club Car (\$10,975) and to complete the cottage camera project (\$33,940) at the School. These expenses were not included in the final approved grant budget and were unrelated to the program purposes identified in the approved grant application. We also noted HCJC did not obtain prior approval for the purchase of these assets from ODYS as required.

Supplement to the Special Audit Report

In addition, we noted Chapter 4 provided “quarterly financial reports must be submitted by the subgrantee to DYS showing actual subgrant receipts and expenditures.” However, we were unable to agree the actual amounts reported to DYS on the monthly reports to HCJC records.

A federal questioned cost is hereby issued for the Juvenile Accountability Incentive Block Grant for \$44,915.

We also recommend HCJC obtain and review available grant guidelines to ensure compliance with all grant requirements. In addition, HCJC should conduct periodic reviews to determine only allowable expenses are made from the grant and to determine whether budget revisions are needed.

Finding for Adjustment

Reimbursement to the General Fund

A March 30, 1998, HCPAO Opinion stated “taxes collected from the Children Services Levy may be expended for the support of children services and the care and placement of children” and “a portion of the services provided at Hillcrest School may be paid from the Children Services Levy.” The opinion further states the Board of Commissioners may adopt a process in which HCDJFS reimburses the General Fund with money from the Children Services fund for the provision of children services and the care and placement of children which includes the actual expenses for services provided at the School.

For the period July 1, 2001 through June 30, 2004, HCDJFS reimbursed the General Fund for \$25,035,199 in School expenses from the PA fund instead of the CS fund which received the Children Services Levy proceeds. These expenses were unrelated to the PA fund’s purposes as described in Ohio Rev. Code Section 5101.16.

A finding for adjustment is hereby issued against the CS fund for \$25,035,199 in favor of the PA fund.

Supplement to the Special Audit Report

Issue No. 5 – Hamilton County Juvenile Court – Youth Center

For the period July 1, 2001 through June 30, 2004, we identified the sources of revenue for Hamilton County Juvenile Court's Youth Center (Center) and determined whether expenditures and Inter-fund Transactions (IT) for the operation of this facility were made in accordance with any restrictions applicable to the funding source.

Procedures

1. We interviewed HCJC personnel and reviewed annual reports and grant agreements to obtain an understanding of the Center's operations.
2. We reviewed the Center's revenue ledger and related IT listing and identified the amount of revenue received from tax levies, reimbursements, state grants, and federal grants. In addition, we determined whether the revenues/ITs received were for Center-related purposes and were in accordance with Ohio Rev. Code Sections 5705.14 to .16, prosecutorial opinions, and grant agreements.
3. We stratified the Center's expenditures and ITs and selected all transactions equal to or exceeding \$5,000. We determined whether the transactions were supported by documentation and expended in accordance with any restrictions placed on the funds by the revenue source.

Results

1. According to the HCJC's website, annual reports, and Steve Rokich, HCJC Finance Director, the Center is a short-term detention facility housing juveniles awaiting trial or placement. At the request of a Judge or Magistrate, the Psychology Department within the Center completed mental health and detention high risk assessments and emergency referrals. Additional assessments, examinations and/or counseling are provided by the Medical Department within 24 hours of detention. Upon adjudication by HCJC, the youths were referred to another facility or released to their guardian. The Center also operates an Intervention Unit which operates a 24 hour referral service for unruly youths and provides crisis intervention counseling to families of the referred youth.
2. During the audit period, the Center received the following revenue posted to the County's General Fund²²:

<u>Description</u>	<u>Source</u>	<u>Amount</u>
Transfer from PA fund	HCDJFS	\$1,450,000
Levy Proceeds	Indigent Healthcare Levy	1,190,000
Contract Reimbursement	HCCMHB	819,943
National School Lunch and Breakfast Program	Ohio Department of Education	615,706
Miscellaneous Receipts	Various Sources	1,901
	Total	<u>\$4,077,550</u>

²² These transactions are identified within the General Fund as Department 40 and specific Organizational Cost Accounts related to the Center.

Supplement to the Special Audit Report

We reviewed available documentation supporting revenues and ITs received and determined the revenues were related to the Center's operations and in accordance with Ohio Rev. Code Sections 5705.14 to .16, prosecutorial opinions, and grant agreements with the following exception:

- In a November 3, 1999 prosecutorial opinion, HCPAO advised that "the Children's Services Levy funds may be expended for a facility operated under R.C. 2151.65. Accordingly, medical expenses for the Juvenile Detention Center, as well as other expenses for the care of children at the Detention Center, may be paid for from the Children's Services Levy." However, HCDJFS reimbursed HCJC \$1,450,000 for the Center's expenses incurred from the PA fund instead of the CS fund. The Children Services Levy proceeds are receipted into the CS fund. These expenses were unrelated to the PA fund's purposes described in Ohio Rev. Code Section 5101.16. A finding for adjustment was issued against the CS fund in favor of the PA fund for \$1,450,000 for these expenses.

Of the \$1,450,000 paid to the Center from the PA fund, HCDJFS charged \$600,000 in 2001 to the SS Cost Pool and the remaining \$850,000 in 2002 to the Shared Cost Pool. Because it was not in the scope of our audit, these charges to the cost pools were referred to ODJFS for determination of whether they were allowable cost pool charges.

3. The Center expended \$31,392,153 during July 1, 2001 through June 30, 2004. Using our stratification, we selected 143 expenditures, totaling \$2,956,537, for testing. Our examination noted the expenditures were supported and expended in accordance with any restrictions placed on the funds. Of 143 expenditures tested, 57 expenditures were not encumbered in accordance with Ohio Rev. Code Section 5705.41(D). A noncompliance citation was reported in Issue No. 1 for failure to comply with these provisions.

Finding for Adjustment

Reimbursement to the General Fund

A November 3, 1999, HCPAO Opinion was issued to address the reimbursement of the Center's medical expenses by the Children Services' property tax levy. This opinion was governed by a March 30, 1998 opinion in which the HCPAO advised that the "Children's Services Levy funds may be expended for a facility operated under R.C. 2151.65. Accordingly, medical expenses for the Juvenile Detention Center, as well as other expenses for the care of children at the Detention Center, may be paid for from the Children's Services Levy."

For the period July 1, 2001 through June 30, 2004, HCDJFS reimbursed the General Fund for \$1,450,000 of the Center's expenses from the PA fund instead of the CS fund which received the Children Services Levy proceeds. The expenses were unrelated to the PA fund's purposes described in Ohio Rev. Code Section 5101.16.

A finding for adjustment is hereby issued against the CS fund for \$1,450,000 in favor of the PA fund.

Supplement to the Special Audit Report

Issue No. 6 – Talbert House Contracts

For the period July 1, 2000 through June 30, 2004, we identified the relationship between HCDJFS and Talbert House and determined whether payments to Talbert House were supported by documentation; made in accordance with contract terms; and whether services were rendered and allowable.

Procedures

1. We conducted interviews with Talbert House personnel, reviewed financial statements and IRS filings, and identified the types of services provided to HCDJFS and the related funding sources.
2. We obtained from the County Auditor's Office a listing of payments from HCDJFS to Talbert House for the period July 1, 2000 through June 30, 2004.
3. We stratified payments made to Talbert House by the HCDJFS and selected payments equal to or in excess of \$50,000 and determined whether the payments were supported by documentation, in accordance with the contract, allowable, and for services rendered.
4. For individuals identified as receiving services in Procedure No. 3, we determined whether Talbert House received Medicaid reimbursement for the services paid for by HCDJFS.

Results

1. According to its Articles of Incorporation, audit reports, and interviews with Neil Tilow, President, and Pam McClain, Vice President, Talbert House was incorporated as a nonprofit corporation as defined under IRS Section 501(c)(3). Talbert House provided activities and programs which served a public purpose such as substance abuse recovery services; treatment programs; and services to promote recovery from mental illnesses, substance abuse, and others programs as needed. Talbert House received funding for these services from federal, state, and local sources including Medicaid. During the audit period, Talbert House entered into contracts with HCDJFS for Community Link; Emergency Medicaid Transportation; Prevention, Retention and Contingency programs; and various other services.
2. According to the County Auditor's records, HCDJFS made 288 payments, totaling \$12,821,878, to Talbert House during the period July 1, 2000 through June 30, 2004.
3. Using our stratification, we selected 44 payments, totaling \$10,983,496, for testing. We determined the transactions were supported by documentation, in accordance with the contract payment provisions, allowable, and for services rendered. HCDJFS charged Community Link payments totaling \$5.5 million to the PA fund's I/M Cost Pool. Because it was not within the scope of our audit, these charges were referred to ODJFS for determination of whether these charges were allowable cost pool charges.

The contracts also included provisions regarding filing of monthly invoices, participant rosters, and monthly expense reports. Our test of compliance with those provisions noted the following exceptions:

- Each monthly expense report included an allocation of Talbert House's indirect costs. In an interview, Neil Tilow, President, indicated the indirect cost percentage was calculated based on a review of administrative costs for other programs and was used for expenses such as salaries for the President, clerical workers, and others. We did not test the indirect cost allocation calculation used by Talbert House. As such, we were unable to determine whether unallowable costs identified in the contract were included in the indirect cost allocation amount. We recommend HCDJFS obtain sufficient documentation supporting the indirect cost allocations. HCDJFS should determine the reasonableness of the amount and whether the calculation allocates unallowable expenditures to the Community Link program.

Supplement to the Special Audit Report

- HCDJFS paid Talbert House \$12.4 million for the period January 1, 2002 through December 31, 2004 for the Community Link program from the PA fund's I/M Cost Pool. During this period, Talbert House expended \$11,526,663 resulting in a profit of \$873,337. Because the allocation of cost pool expenses resulted in federal programs being charged a portion of the costs, we reviewed the contract provisions and Code of Federal Regulations (CFRs) for guidance on earning a profit when the contract was paid partially or wholly with federal funds. Based on available documentation, we were unable to identify the specific federal program(s) charged an allocated portion of the cost pool expenses; the type of contract based on the contract provisions and appendices; and the applicable CFR provisions as the provisions appear to conflict with one another regarding the issue of profit. A recommendation was issued for HCDJFS to request assistance from ODJFS and the appropriate federal granting agencies to determine whether the profit meets the general criteria contained in OMB Circular A-87 Attachment A Section (C)(1)(d) and was an allowable expenditure of the funding source(s).
4. AOS' Health Care Contract Audit Section compared the names and social security numbers for the 14,670 participants identified by Talbert House to the Medstat database²³. The comparison resulted in 668 matches between the participant list and Medstat database. However, the services rendered and paid by Medicaid for the participants were unrelated to services rendered by Talbert House for the Community Link contract.

Management Recommendation

Profit from Community Link Contract

We noted Talbert House expended \$873,337 less than the value of the contracts for the period January 1, 2002 through December 31, 2004. During this time period, HCDJFS charged the expense in the PA fund's I/M Cost Pool. HCDJFS received reimbursement from the I/M cost pool which consisted of federal and state dollars from various programs. In review of available supporting documentation and funding of this expense, we were unable to:

- Identify which grant(s) funded these expenses.
- Determine the type of contract based on the contract language to identify the applicable CFR provisions related to profit requirements.
- Identify the applicable CFR as the CFR sections appear to conflict with one another regarding the issue of profit.

OMB Circular A-87 Attachment A Section(C)(1)(d) provides "Factors affecting allowability of costs. To be allowable under federal awards, costs must meet the following general criteria: d. Conform to any limitations or exclusions set forth in these principles, Federal laws, terms and conditions of the Federal Award, or other governing regulations as to types or amount of cost items."

We were unable to determine whether the profit was an allowable expense for the grant(s) funding the expense. In future contracts, we recommend HCDJFS review all applicable guidance for the funding source(s) of the contract to ensure the contract and related payments are in compliance with the applicable grant requirements.

We referred this issue to ODJFS, the U.S. Department of Agriculture, the U.S. Department of Labor, and the U.S. Department of Health and Human Services for further review of the contract language and grant guidelines to determine whether the profit was an allowable grant expenditure.

²³ See footnote No. 15.

Appendix A

	Public Assistance Fund		Children Services Fund		Child Support Fund		General Fund	
	Increase	Decrease	Increase	Decrease	Increase	Decrease	Increase	Decrease
Adjustment								
Undocumented/Unsupported Receipt/Transfer of Funds to PA fund.		\$ (169,253,036)	\$ 169,253,036					
Unsupported Cash Transfers from CS fund to Child Support fund.			9,248,138			\$ (9,248,138)		
Guardian Ad Litem Expenses incorrectly paid from PA fund rather than CS fund.	\$ 843,113			\$ (843,113)				
Dependency Docket Expenses incorrectly paid from PA fund rather than CS fund.	1,281,908			(1,281,908)				
Unrelated Hillcrest Training School Construction Projects Reimbursed to General Fund from PA fund.	1,752,337							\$ (1,752,337)
Hillcrest Training School Operations incorrectly paid from PA fund rather than CS fund.	25,035,199			(25,035,199)				
Youth Center Operations incorrectly paid from PA fund rather than CS fund.	1,450,000			(1,450,000)				
Totals	\$ 30,362,557	\$ (169,253,036)	\$ 178,501,174	\$ (28,610,220)		\$ (9,248,138)		\$ (1,752,337)

Net Change in Fund: \$ (138,890,479) \$ 149,890,854 \$ (9,248,138) \$ (1,752,337)



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HAMILTON COUNTY DEPARTMENT OF JOB AND FAMILY SERVICES

HAMILTON COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
SEPTEMBER 19, 2006**