CHILD PROTECTIVE SERVICES

BAIR FOUNDATION

REPORT ON AGREED-UPON PROCEDURES

JANUARY 1, 1998 THROUGH DECEMBER 31, 1998

JIM PETRO
AUDITOR OF STATE
STATE OF OHIO

BAIR FOUNDATION
REPORT ON AGREED-UPON PROCEDURES

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BAIR FOUNDATION
SUPPLEMENT TO REPORT ON AGREED-UPON PROCEDURES

BOARD OF DIRECTORS
AND ADMINISTRATIVE PERSONNEL
AS OF DECEMBER 31, 1998

NAME	TITLE	TERM
	BOARD OF DIRECTORS	
Harold Powell	Chairman	Life term
Jim Sebastian	Member	Life term
Bill Burkwell	Secretary	Life term
Sanford Kulkin	Member	Life term
Carter Foster	Member	Life term
	ADMINISTRATIVE PERSONNEL	
Sue Miklos	Executive Director	October 1992-Present
Renay Crouse	Director of Operations	July 1994 - Present
Milan Belohlavek	State Director-Ohio	July 1999 - Present
Eleanor Stewart	Chief Financial Officer	February 1998 - January 2000
Lisa Calvin	Accounting Supervisor	September 1998 to Present

Agency Address

Bair Foundation
241 High Street
New Wilmington, PA 16142

STATE OF OHIO
OFFICE OF THE AUDITOR

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Independent Accountants' Report

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

Dear Director Moody:

Pursuant to the memorandum of understanding signed July 6, 1999 between the Ohio Department of Job and Family Services[1] (ODJFS or Department), formerly known as the Ohio Department of Human Services (ODHS), and the Auditor of State (AOS), we have conducted a Child Protective Services/Special Title IV-E Review ("Review") and performed the procedures summarized below for the Bair Foundation (Bair or Placement Agency) for the period January 1, 1998 through December 31, 1998 ("the Period"). These procedures were performed solely to determine if the Placement Agency complied with the provisions of certain Federal and State laws and regulations applicable to a private noncustodial agency (PNA). The applicable laws and regulations are described in the attached *Supplement to Report on Agreed-Upon Procedures* under *Legal Authority.*

This engagement to apply agreed-upon procedures was performed in accordance with standards established by the American Institute of Certified Public Accountants. The sufficiency of the procedures is solely the responsibility of the users of the report. The report on agreed-upon procedures is intended for the information of ODJFS, however, the report will be a matter of public record and its distribution will not be limited. Consequently, we make no representation regarding the sufficiency of the procedures discussed below for the purpose for which this report has been requested or for any other purpose. The procedures we performed are summarized as follows:

1. We performed procedures to determine whether the Placement Agency complied with the terms and conditions of its contractual agreements and provisions of applicable laws and regulations for expenditures during the Period.

2. We scanned all receipts and deposits from the applicable public children services agencies to Bair Foundation for the Period to determine whether receipts were properly deposited and recorded in the accounting records of the Placement Agency.

3. We compared the Placement Agency's per diem paid to the foster parents with the corresponding per diem it received from Portage County Department of Children and Family Services Agency (PCDCFS) to determine the ratio of payments for administration and maintenance.

4. We documented information, obtained through inquiry and observation, on the Placement Agency's internal control policies and procedures relating to: 1) cash disbursements and expenses; 2) revenues; 3) personnel and payroll; 4) accounts receivable; 5) inventories; and 6) fixed assets.

[1] The merger of the Ohio Department of Human Services and the Ohio Bureau of Employment Services to become the Ohio Department of Job and Family Services (ODJFS) took effect July 1, 2000.

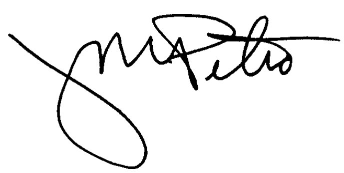
5. We performed procedures to confirm internal administrative controls over compliance with the requirements of the Title IV-E program and the Ohio Admin. Code Chapter 5101:2.

On July 19, 2001, we held a post audit conference with the following:

Name	Office/Position
Sue Miklos	Executive Director
Brian Colquhoun	Chief Financial Officer
Greg Kelly	Asst. Chief Deputy Auditor, Auditor of State
Sam Long	Asst. Auditor, Auditor of State
Carolyn Curry	Auditor-In-Charge, Auditor of State

Our detailed procedures and the results of applying these procedures are contained in the attached *Supplement to Report on Agreed-upon Procedures*. Because these procedures do not constitute an examination conducted in accordance with generally accepted auditing standards, we do not express an opinion or limited assurance on any of the accounts or items referred to above. Also, we express no opinion on the Placement Agency's internal control system over financial reporting or any part thereof. Had we performed additional procedures, or had we conducted an audit of the financial statements in accordance with generally accepted auditing standards, other matters might have come to our attention that would have been reported to you. This report addresses transactions relating to the above procedures only and does not extend to the financial statements of the Placement Agency, taken as a whole.

This report is intended for the information of the officials of ODJFS and is not intended to and should not be used by anyone other than this specified party. However, this report is a public record, and is available upon specific request.



JIM PETRO
Auditor of State

July 6, 2001

BAIR FOUNDATION
SUPPLEMENT TO REPORT ON AGREED-UPON PROCEDURES

BACKGROUND INFORMATION

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

In response to concerns about a lack of fiscal accountability and questionable business practices, a memorandum of understanding was signed July 6, 1999, between ODJFS (formerly ODHS) and the Auditor of State (AOS). This memorandum formalized an agreement that ODJFS and AOS would perform investigations utilizing certain agreed-upon procedures under the supervision of the AOS. The agreement called for the AOS to supervise the engagement, issue the report and provide training to selected ODJFS staff members. The procedures are being performed at twenty-five private agencies for periods beginning January 1, 1998 and extending for a minimum of twelve months or a maximum of eighteen months. This is the eleventh report released of the 25 reports to be issued.

LEGAL AUTHORITY

Administration of Title IV-E Funds

Title IV-E of the Social Security Act authorizes the payment of federal funds to states to provide foster care to children who have been removed from their homes through a voluntary placement agreement or judicial determination.[2] The program is administered at the federal level by the Administration for Children and Families (ACF), United States Department of Health and Human Services.

In the State of Ohio, the Department of Job and Family Services acts as the single state agency to administer federal payments for foster care, and shall adopt rules to implement this authority.[3] Within ODJFS, the program is administered by the Office of Children and Families.

At the local level, each county's public children services agencies (PCSA) or department of human services administer funds provided under Title IV-E of the Social Security Act in accordance with the rules adopted by the state Department of Human Services.[4]

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[2] 94 Stat. 501 (1980), 42 U.S.C. Section 671, as amended.

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

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

Public Children Services Agency Contractual Requirements

Public Children Services Agencies (PCSA) are authorized to enter into contracts with a private child placing agency (PCPA) or a private noncustodial agency (PNA) to provide care and services which it deems to be in the best interest of any child who needs or is likely to need public care and services.[5] PCPA/PNAs are licensed by ODJFS to act as a representative of ODJFS in recommending family foster homes for certification; accept temporary, permanent and legal custody of children; and place children for foster care or adoption. Portage County Department of Children and Family Services Board (PCDCFS), a PCSA, did not enter into a comprehensive contract with Bair Foundation, a PNA, but does contract with Bair Foundation on a per child basis.

Billing Process

The PCPA or PNA submits an invoice monthly to the PCSA. The invoice contains specific information on each child, his or her per diem rate and the number of days in placement. Each month, the PCSA pays the PCPAs and PNAs based on their previous month's invoice, and reports to ODJFS the amount paid for each child and for other services including, but not limited to, case management, transportation for the children, recruiting and training foster parents.[6]

Reports and Records

Not-for-profit PCPAs and PNAs that provide foster care services for children eligible under the Title IV-E program are required to submit cost reports annually to ODJFS.[7] Costs reported are used to determine a maximum allowable reimbursement rate under the Title IV-E program for foster care maintenance payments and administrative costs. ODJFS requires that the governing body of the PCPA or PNA authorize and review an annual audit with an opinion of the organization's finances by an independent certified or registered public accountant[8] and ODJFS asks that a copy of the last completed audit be submitted with the annual cost report. "Financial records, supporting documents, statistical records, and all other records pertinent to an award shall be retained for a period of three years from the date of submission of the final expenditure report..."[9]

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

6 Ohio Admin. Code Section 5101:2-47-11(G). Prior to 5/1/98, these requirements were generally contained in Ohio Admin. Code Section 5101:2-47-65(E).

7 Form ODHS 2910 Purchased Family Foster Care Cost Report is applicable to PCPAs and PNAs. Annual filing requirement is found in Ohio Admin. Code Section 5101:2-47-24(D). Prior to 5/1/98, the annual filing requirement was contained in Ohio Admin. Code Section 5101:2-47-20(C)(1).

8 Ohio Admin. Code Section 5101:2-5-08(A)(5). Effective 7/1/00, after the audit period, ODJFS amended this rule to provide that for PCPAs and PNAs with an annual gross income of less than $300,000, it would be sufficient to prepare a written annual financial statement of the PCPA or PNA finances in accordance with generally accepted accounting principles. In addition to having the governing board authorize and review the required financial statements and audits, the amended rule requires agencies to submit them to ODJFS.

9 Office of Management and Budget (OMB) Circular A-110 Uniform "Administrative Requirements for Grants and Agreements with Institutions of Higher Education, Hospitals and Other Nonprofit Organizations: Subpart C Paragraph 53 (b)

Cost Principles

Title IV-E foster care maintenance payments are designed to cover the cost of (and the cost of providing) food, clothing, shelter, daily supervision, school supplies, a child's personal incidentals, liability insurance with respect to a child, and reasonable travel to the child's home for visitation.[10]

Allowable and unallowable cost guidelines for use in completing the cost reports are contained in the Ohio Administrative Code and in the Office of Management and Budget Circular A-122 *Cost Principles for Non-Profit Organizations*.

In addition, because the PCPAs and PNAs enjoy federal tax-exempt status, they are directly precluded from assigning any part of their net earnings to the benefit of any private shareholder or individual...[11]

Office of Management and Budget (OMB) Circular A-133 *Audits of States, Local Governments, and Non-Profit Organizations*, establishes an audit requirement for federal funds (including Title IV-E funds) administered by state and local governments and non-profit entities, and authorizes auditors to question unallowed costs which appear to have resulted from a violation of law, regulation or other agreement governing the use of such funds, costs which are not supported by adequate documentation, or appear unreasonable.[12]

ODJFS codified the cost principles to which the PCPAs and PNAs are subject to by its promulgation of Ohio Admin. Code Sections 5101:2-47-11(C) and 5101:2-5-08(G).

Ohio Admin. Code Section 5101:2-47-11(C), states: "Allowable and unallowable cost guidelines for use in completing the ODHS 2909 and ODHS 2910 are contained in rules 5101:2-47-25 and 5101:2-47-26 of the Administrative Code and the Office of Management and Budget (OMB) Circulars A-87 and A-122." [13] Specifically, ODJFS considers certain costs to be unallowable for purposes of calculating the rate at which foster care maintenance costs can be reimbursed with federal Title IV-E funds including, but not limited to, contributions, donations, or any outlay of cash with no prospective benefit to the facility or program; entertainment costs for amusements, social activities, and related costs for staff only; and costs of activities prohibited under section 501(c)(3) of the Internal Revenue Code.[14]

Ohio Admin. Code Section 5101:2-5-08(G) states, "A PCPA or PNA shall not permit public funds to be paid or committed to be paid to any corporation, firm, association or business in which any of the members of the governing body of the agency, the executive personnel or their immediate families have any direct or indirect financial interest, or in which any of these persons serve as an officer or employee, unless the services or goods involved are provided at a competitive cost or under terms favorable to the PCPA or PNA. The PCPA or PNA shall make a written disclosure, in the minutes of the board, of any financial transaction of the PCPA or PNA in which a member of the board or his/her immediate family is involved."

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[10] 42 U.S.C. Section 675(4)(A).

[11] 26 U.S.C. Section 501(c)(3)

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

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

[14] Ohio Admin. Code 5101:2-47-26. Prior to 5/1/98, these requirements were contained in Ohio Admin. Code Section 5101:2-47-64

The Office of Management and Budget Circular A-110 *Uniform Administrative Requirements for Grants and Agreements with Institutions of Higher Education, Hospitals and Other Nonprofit Organizations* establishes standards for uniform administrative requirements for Federal grants and agreements with institutions of higher education, hospitals, and other nonprofit organizations. Subpart C of Circular A-110 set forth requirements regarding: financial and program management, property and procurement standards, reports and records and termination and enforcement.

Reimbursement Process

The reimbursement process begins early each fiscal year when ODJFS disburses funds to the counties under its state plan for foster care approved by the Secretary of the U.S. Department of Health and Human Services (HHS). ODJFS submits quarterly reports to the HHS for reimbursement of federal financial participation (FFP) in foster care payments[15] made to the PCPAs or PNAs.

In 1998, the FFP was 58% for maintenance payments[16] made and 50% for administrative costs[17] incurred under the Title IV-E program.

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

Child Welfare Demonstration Project (ProtectOhio)

In October 1997, ODJFS implemented a waiver received from the U.S. Department of Health and Human Services of certain Title IV-E requirements to conduct a Child Welfare Demonstration Project, known as ProtectOhio.[18] The project allows ODJFS to expand the types of services provided and increase the number of children and families served in certain demonstration counties.[19] It is concerned with the flexible use of Title IV-E foster care maintenance payments, and the waiver is applied to funds which are used for that purpose, or would have been used in the absence of this project.[20]

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15 Ohio Admin. Code Section 5101:2-47-11 recites the foregoing reporting and reimbursement requirements. Prior to 5/1/98, these provisions were recited in Ohio Admin. Code Sections 5101:2-47-20 and 5101:2-47-65.

16 45 C.F.R. Section 1356.60(a)(2) (1999); ODHS Administrative Procedure Letter No. 245, dated 9/22/97; ODHS Family, Children & Adult Services Procedure Letter No. 61, dated 9/9/98.

17 45 C.F.R. Section 1356.60(c) (1999); ODHS Administrative Procedure Letter No. 245, dated 9/22/97; ODHS Family, Children & Adult Services Procedure Letter No. 61, dated 9/9/98.

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

19 On 2/14/97, Laurence J. Love, Deputy Assistant Secretary for Children and Families, HHS, advised then ODHS Director Arnold R. Tompkins that ODHS' proposed waiver project had been approved, subject to its written acceptance of certain waiver terms. ODHS accepted the terms on March 20, 1997. Specifically waived for the project were the following provisions of the Social Security Act and Program Regulations: 42 U.S.C. Section 672(a), (c) and (e); 42 U.S.C. Section 671(A)(10); and 45 C.F.R. 1356.80(h) (thereby expanding eligibility for services); and 42 U.S.C. Section 674 (a)(3)(E) and 42 U.S.C. Section 677(e)(3) (thereby expanding services).

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

To implement ProtectOhio, ODJFS entered into contracts with 14 counties, including an agreement on September 15, 1997, with the Portage County Board of Commissioners and Portage County Children Services.[21] Sections III, IV, and V of this agreement describe how Title IV-E funds are to be pre-allocated to Portage County, rather than reimbursed according to the per diem rates described above. Our Review takes into consideration the change in federal funding methodology during the Period.

Allowable Costs

In addition to the Ohio Administrative Code and the Office of Management and Budget Circular A-122 *Cost Principles for Non-Profit Organizations* formed the criteria to which we referred during our testing to determine if the expenditures at Bair Foundation were necessary in the performance of the IV-E program.

RESOLUTION OF QUESTIONED COSTS

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

OMB Circular A-133 defines questioned costs as follows:

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

(1) Which resulted from a violation or possible violation of a provision of a law, regulation, contract, grant, cooperative agreement, or other agreement or document governing the use of Federal funds;

(2) Where the costs, at the time of the audit, are not supported by adequate documentation; or

(3) Where the costs incurred appear unreasonable and do not reflect the actions a prudent person would take in the circumstances." [22]

The foster care program in Ohio is funded by a combination of federal, state and local funds. Historically the percentage of funding has averaged approximately 37% federal, and 10% state reimbursement, and 53% local. During fiscal year 1998 the percentage of funding was 40% federal, and 10% state reimbursement and 50% local funds. These funds are commingled when paid to the Placement Agency to perform the program functions for which it is certified by ODJFS to perform. The accounting systems of the Placement Agencies, in general, are not designed to classify or track expenditures by the source of funds and it is difficult, if not impossible to match expenditures that result in questioned costs with the corresponding source of funds. Therefore when reporting questioned costs in this report we did not attempt to allocate those cost among the entities that provided the funding.

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

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

We recommend that as part of the resolution of our audit findings ODJFS and the PCSAs that purchased services from the Bair Foundation during the audit period, without a written contract (see Issue 5-1), join together to ensure that Bair Foundation develops and implements a corrective action plan that will result in fiscal accountability[23] and legal compliance[24] in an expeditious manner.

AGENCY INFORMATION

The Bair Foundation is a private noncustodial agency (PNA), originally incorporated in 1976 and is a nonprofit corporation exempt from federal income tax under Internal Revenue Code Section 501(c)(3). The Bair Foundation is licensed by ODJFS to recommend families to become foster families, place children in foster homes, operate or provide independent living arrangements, and recommend children for adoption. When a county children services agency needs a home for a foster child, it can contact agencies such as the Bair Foundation to place the child. The group of family foster homes (private foster network) utilized by the Bair Foundation has been in place since 1967. The Bair Foundation places foster children primarily for PCDCFS in Ohio. The Bair Foundation has also provided services to Columbiana, Stark, and Summit county children services agencies' during the Period. In addition to these types of services the agency also provides in-home services which is a program for families in crisis as identified by the Department of Human Services or Children's Services Board. Without intervention the unsafe home environment places children at risk and may necessitate their removal from the home to substitute care. The agency provided these services in Portage County during the Period. In addition, to providing foster care services in Ohio the agency is also located in Texas, Pennsylvania, and Oklahoma.

Affiliated Organizations:

Bair Investment Corporation
Bair Investment Corporation, Inc. is a non-profit organization, incorporated October 24, 1994. The investment corporation is responsible for investing funds for use by the Bair Foundation in its operations.

The investment corporation has three (3) board members who are all on the Board of Directors for the Bair Foundation. The three (3) overlapping board members are James Sebastian, Bill Burwell, and Harold Powell.

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

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

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The following table shows statistical information about the agency for 1998 taken from the ODHS 2910 Purchased Family Foster Care Cost Report and other documentation provided by the Placement Agency:

Table I
The Bair Foundation
Foster Care Statistics

Characteristic	Statistic
Daily Average Number of Children in Placement in Ohio	93
Number of Active Licensed Foster Homes	95
Average Per Diem Rate	$24
Number of PCSAs from Which Agency Receives Children	22
Required Training for Foster Caregiver Orientation	16 hours
Required Annual Training for Foster Caregiver	16 Hours
Expenditures Reported per the Title IV-E Purchased Family Foster Care Cost Report	$2,027,843
Characteristics of Children Placed by Agency	Therapeutic to Specialized levels of care

During the Period, the Bair Foundation's staff consisted of 29 employees, that provided foster care services, including, a state director, regional directors, secretaries, therapists, drivers, and social workers to provide the needed counseling and case management services to the foster children and foster parents.

Approximately half of the Bair Foundation's Ohio revenues consisted of funds received from Portage County Department of Children and Family Services Board (PCDCFS). The total revenue received by the Bair Foundation for foster care services during the Period was $1,999,162.

During the Period of this engagement, the Portage County Department of Job and Family Services (PCDCFS) was undergoing a separate financial audit conducted by the Auditor of State. We selected PCDCFS' records for testing in Issues 2 and 3, because records were accessible and it was both cost and time efficient to do so.

The following table shows the sources of revenue per the general ledger for the calendar year 1998 and the percentage of total revenue for each source.

BAIR FOUNDATION
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Table II
The Bair Foundation
Revenue by Source

	1998	**Percent of Total Revenue**
Portage County	$1,012,047	50.6%
Stark County	$266,768	13.3%
Geauga County	$145,097	7.3%
Ashtabula County	$124,878	6.2%
Summit County	$70,944	3.5%
Huron County	$76,496	3.8%
Columbiana County	$77,762	3.9%
Trumbull County	$29,908	1.5%
Lorain County	$25,339	1.3%
Butler County	$21,825	1.1%
Other Sources[25]	$148,098	7.5%
Total Revenue by Source	$1,999,162	100%

Relevant Individuals

Sue Miklos

Sue Miklos was the Executive Director of the Bair Foundation. She served as Executive Director from October of 1992 to present.

Renay Crouse

Renay Crouse was the Director of Operations of the Bair Foundation. She served as Director of Operations from July of 1994 to present.

Milan Belohlavek

Milan Belohlavek was the Director of Ohio for the Bair Foundation. He served as Director of Ohio from June of 1999 to present.

[25] All other income consists of private contributions, rental income, investment earnings, and miscellaneous revenue.

BAIR FOUNDATION
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Eleanor Stewart

Eleanor Stewart was the Chief Financial Officer of the Bair Foundation. She held this position from February of 1998 to January of 2000.

Lisa Calvin

Lisa Calvin was the accounting supervisor of the Bair Foundation. She has served in this position since September of 1998 to present.

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

Objective:

To determine whether the Placement Agency's expenditures complied with the terms and conditions of its contractual agreements, provisions of applicable laws and regulations, and proper business purposes during the Period.

Procedures Performed:

1. We obtained all canceled checks for non-payroll disbursements made by the Bair Foundation for each month during the Period (See Issue 5 for the reconciliation of payroll disbursements).

1. We inspected the details of every canceled check returned by the bank during the Period including vendor, amount, authorizing signature and endorsement for compliance with the terms and conditions of its contractual agreements, provisions of applicable laws and regulations, and proper business purposes.

2. For selected disbursements which did not appear reasonable considering: the nature of business or the vendor; high dollar amounts; checks payable to the staff or foster parents or payments that appeared to be contrary to policy, we requested supporting documentation, such as invoices.

3. We inspected the supporting documentation to determine compliance with program requirements for expenditures and for potential self-dealing transactions prohibited by Ohio Admin. Code Section 5101:2-5-08(G).

4. We discussed with agency management all expenditures (check disbursements) that we found lacked adequate supporting documentation, were unallowable or unreasonable as defined in applicable rules, regulations and/or contract provisions.

5. We obtained all credit card statements paid by the Bair Foundation for the Period and inspected details of each charge including vendor, amount, and authorization for compliance with the terms and conditions of its contractual agreements, provisions of applicable laws and regulations, and proper business purposes.

6. For selected credit card expenditures which did not appear reasonable considering: the nature of business or the vendor; high dollar amounts; charges related to the staff or foster parents or expenditures that appeared to be contrary to policy, we requested supporting documentation, such as invoices.

7. We discussed with agency management all credit card expenditures that we found lacked adequate supporting documentation, were unallowable or unreasonable as defined by applicable rule regulations and/or contract provisions.

8. We read lease agreements and other documentation supporting all building lease or mortgage payments to determine property ownership, previous ownership and relationship between current and previous owners and the Placement Agency.

ISSUE 1-1	CHECK AND CREDIT CARD DISBURSEMENTS NOT ALLOWED OR WHICH LACKED SUPPORTING DOCUMENTATION

Results:

Office of Management and Budget (OMB) Circular A-122 “Cost Principles of Non-Profit Organizations,” requires that for a cost to be allowable, it must, among other factors, be reasonable and adequately documented.[26]

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

We inspected one hundred forty-one (141) credit card expenditures totaling $13,871 in charges. We requested invoices and/or receipts for these expenditures, authorization by the board or responsible party, and an explanation of how the expenditure provided a benefit to the program or was necessary to the operation of the foster care program. The Bair Foundation was unable to provide us with invoices or receipts as requested for ten transactions totaling $93 and was in violation of OMB Circular A-122, Attachment A(2)(g).[27]

We inspected two hundred twenty-eight (228) check disbursements totaling $95,056 in charges. We requested invoices and/or receipts for these expenditures, authorization by the board or responsible party, and an explanation of how the expenditure provided a benefit to the program or was necessary to the operation of the foster care program. The Bair Foundation was unable to provide us with the invoices or receipts as requested for 30 transactions totaling $4,832 and was in violation of OMB Circular A-122, Attachment A(2)(g).[27]

Additionally, four check disbursements and 12 credit card expenditures totaling $32 and $90, respectively, were unallowable under OMB Circular A-122. These improper expenditures consisted of Board member gifts and late fees. They were as follows:

1. Unallowable costs of $27 for three check disbursements and $43 for ten credit card transactions were in violation of OMB Circular A-122, Attachment B, Paragraph 14 which states, “Costs of amusement, diversion, social activities, ceremonials, and costs relating thereto, such as meals, lodging, rentals, transportation, and gratuities are unallowable.”

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[26] OMB Circular A-122, Attachment A, Paragraph (A)(2)(a) and (g).

[27] Office of Management and Budget (OMB) Circular A-122 “Cost Principles for Non-Profit Organizations,” Attachment A, Paragraph (A)(2)(g) states in pertinent part, “To be allowable under an award, costs must meet the following general criteria:...Be adequately documented.”

2. Unallowable costs of $5 for one check disbursement and $47 for two credit card transactions were in violation of OMB Circular A-122, Attachment B, Paragraph 23(a), which states in pertinent part: "Costs incurred for interest on borrowed capital or temporary use of endowment funds, however represented, are unallowable..."

Table III
The Bair Foundation
Questioned Costs

Expenditures without adequate supporting documentation:	
Clothing Vouchers for foster children	$3,046
Travel	251
Gift certificate to volunteer driver	50
Meals	139
Office Supplies	132
Training	270
Postage	400
Rent for Independent Living	321
Recruitment Cost	227
Computer Parts	79
Miscellaneous	10
Total Check and Credit Disbursements without supporting documentation	$4,925
Unallowable Expenditures:	
Board Member recognition gifts	70
Finance Charges and Late Fees	52
Total Unallowable Expenditures	$ 122
Total Questioned Costs	$5,047

Federal Questioned Costs: $5,047

Due to unallowed and inadequately documented expenditures reported on the ODHS 2910 Purchased Family Foster Care Cost Report(s) and/or charged against the foster care program, the Bair Foundation was in violation of OMB Circular A-122[28] in the amount of $4,925. The Bair Foundation was also in violation of Ohio Admin. Code Section 5101:2-47-26(A)(7) and OMB Circular A-122 Attachment B, Paragraphs 14, and 23 with respect to the unallowed expenditures in the amount of $122 as described in numbered paragraphs 1-2. The amount of federal questioned costs totaled $5,047.

Management Comment:

The Bair Foundation did not adhere to OMB Circular A-122 regarding documentation of allowable cost requirements and financial records retention with regards to the amounts described above. Portage County Department of Children and Family Services should enter into a comprehensive contract with agencies (see Issue 3-3) and require the agencies, with which it contracts for placement services, to obtain and submit to PCDCFS an annual financial audit performed in accordance with government auditing standards.[29] In addition to the independent auditor's report on the financial statements, professional standards would require the auditor to report on the Placement Agency's compliance with laws and regulations and on internal controls. PCDCFS should review these reports and follow up on any exceptions reported.

ISSUE 2	TEST OF FUNDING RECEIVED FROM PUBLIC SOURCES

Objective:

To determine whether all receipts and deposits from the applicable public children services agencies to the Bair Foundation for the Period were properly deposited and recorded in the accounting records of the Placement Agency.

Procedures Performed:

1. We determined the types of revenue that the Bair Foundation received during the Period, by scanning the audited financial statements and the supporting general ledger.

2. We identified the sources of receipts received from bank statements and other related records.

3. We obtained documentation from the Portage County Auditor to determine the completeness of receipts received and deposited for fees for services.

4. We tested a sample of 10% of the monthly billings by the Placement Agency to PCDCFS for foster care placements to determine whether the amounts billed were received, and the receipts were deposited and recorded in the Placement Agency's financial records.

5. We scanned all revenue remittances and the general ledger to determine whether revenue had been recorded in the accounting records of the Placement Agency.

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

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

Results:

We documented the types of revenue the Bair Foundation received as program service fees from various counties, interest income, and donations. The Bair Foundation did not receive Medicaid payments during the Period. We obtained documentation from the County Auditor to determine the completeness of the receipts from PCDCFS. Furthermore, we determined that all PCDCFS disbursements to Bair Foundation were receipted, deposited, and recorded in its accounting records.

ISSUE 3	TEST OF PAYMENTS TO FOSTER PARENTS

Objectives:

1. To determine whether the Bair Foundation per diem payments to the foster parents were in accordance with the authorized schedule of per diem rates.

2. To determine whether payments to the Bair Foundation for in-home services were in accordance with the individual contract agreements.

3. To determine the ratio of the per diem payments used for administration and maintenance.

Procedures Performed:

1. We obtained from the Portage County Auditor a vendor payment history report for Bair Foundation for the same period and traced these payments to the invoices submitted by Bair Foundation.

2. We selected a representative sample of children identified by PCDCFS as Title IV-E eligible children being serviced by the Bair Foundation.

3. We found the child's name on the appropriate month's PCDCFS vendor invoice report. We documented the amount of maintenance that would have been paid for each child.

4. We compared payments received by the Bair Foundation from PCDCFS to the corresponding Bair Foundation billing in the month selected for each child in the sample.

5. We obtained the contracts or per diem agreements between the Bair Foundation and the foster parent for each child in the sample.

6. We obtained and compared the authorized schedule of per diem rates to rates paid per the agreements between the Bair Foundation and PCDCFS and between the Bair Foundation and foster caregivers.

7. We compared the Bair Foundation's per diem paid to the foster parents with the corresponding per diem it received from PCDCFS to determine the ratio of payments for administration and maintenance.

8. We compared the Bair Foundation's per diem received for in-home services with the per diem agreements between the Bair Foundation and PCDCFS.

ISSUE 3-1	RATIO OF PAYMENT FOR ADMINISTRATION AND MAINTENANCE

Results:

We tested the payments from Portage County Department of Children and Family Services Agency (PCDCFS) to the Bair Foundation for a sample of 93 foster children and 28 payments for in-home services. The payments to the Placement Agency for the foster child sample totaled $148,164 and $26,019 for the in-home service sample.

We noted that the Placement Agency received the correct per diem rates noted in the individual per diem agreements. The foster parents in the foster child sample received $59,007. We noted that these foster parents received the correct per diem rates per the individual per diem agreements. The foster parents received $59,507 or 40.2% of the total funds paid to the Placement Agency by PCDCFS.

The remaining $88,657 or 59.8% was retained by the Bair Foundation and used for administrative costs, other direct services to children or other purposes. The amount paid to foster parents ranged from 39% to 42% of the stated daily per diem rate, depending on the level of care.

Management Comment:

ODJFS should establish by administrative rule a cap on the percentage of the private agency's allowable administrative cost. This administrative cost cap should be structured in a manner that maximizes the amounts expended for maintenance and other direct services to children while allowing a reasonable percentage for necessary administrative costs.

ISSUE 3-2	ENTRANCE AND EXIT DATES OF PLACEMENT

Results:

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

We compared 93 placement dates of foster children recorded by PCDCFS and Bair Foundation and found 12 dates where the records did not agree. Inaccurate information about the dates children enter and exit the care of a PCPA/PNA could result in inappropriate administrative decisions and incorrect payments to the PCPA/PNA.

Management Comment:

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

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

ISSUE 4	TEST OF INTERNAL CONTROLS

Objectives:

1 To identify internal control weaknesses in the policies and procedures in place at the Placement Agency.

2. To recommend improvements in the internal control system in efforts to eliminate noncompliance, and increase fiscal accountability.

Procedures Performed:

1. We read the Board of Directors' minutes, personnel records, and organizational chart to identify potential conflicts of interest and self dealing transactions that could result in noncompliance with Ohio Admin. Code Section 5101:2-5-08.

2. We completed a review of internal controls and identified weaknesses that existed in the accounting cycle.

3. We documented information, obtained through inquiry and observation on the Placement Agency's internal control policies and procedures relating to: 1) cash disbursements and expenses; 2) revenues; 3) personnel and payroll; 4) accounts receivable; 5) inventories; and 6) fixed assets.

ISSUE 4-1	AUDIT COMMITTEE

Results:

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

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

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

The Bair Foundation did not have an audit committee. A well functioning audit committee would better ensure the independence and objectivity of the independent public accountant in addition to making sure the Board of Directors are aware of significant deficiencies in internal control and noncompliance with laws and regulations.

Management Comment:

We recommend the Bair Foundation establish an audit committee. An audit committee could strengthen board oversight by performing the following functions:

- Periodically review the process used to prepare interim financial information submitted to the Board of Directors;
- Review and evaluate audit results;
- Assure that audit recommendations are appropriately addressed;

- Assure auditors' independence from management; and
- Serve as liaison between management and independent auditors.

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

ISSUE 4-2	FIXED ASSET POLICY

Results:

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

Through inquiry with the client and observation we determined that the Placement Agency did not have a written fixed asset policy or procedures for the treatment of capital expenditures and repairs. Per the Chief Financial Officer, fixed asset inventories are taken every few years. During the period the Placement Agency relied upon its external auditors to calculate the fixed asset balances and related depreciation expense and accumulated depreciation reported in the financial statements.

The lack of a written fixed asset policy could lead to the unauthorized acquisition, use or disposition of fixed assets and material financial statement misstatements.

Failure to complete an annual physical inventory and maintain accurate accounting records increases the risk that assets which may have been lost, stolen, or improperly used would go undetected. This could over/under state the fixed assets reported by the entity in it's financial statements.

Management agreed with our recommendation and stated that in July of 2000 the agency converted to an accounting software system that has the functionality to enable the agency to adopt our recommendation.

Management Comment:

We recommend that Bair Foundation develop and implement a fixed asset policy that provides guidance on the following:

1. The types of fixed asset records to maintain, such as a detailed listing of plant, property and equipment or a current professional appraisal of assets. The list should include beginning balances, additions, deletions (including gains or losses on sales), transfers, ending balances and depreciation expense and accumulated depreciation (where applicable).

2. Categories of fixed assets including land, land improvements, buildings and structures, machinery, equipment, furniture, tools, donated assets and leasehold and leasehold improvements.

3. Basis for valuing assets at either the cost or estimated historical cost and capitalization thresholds which establishes the criteria for when expenditures should be capitalized excluding repairs and maintenance.

4. Depreciation and amortization method, such as straight line over the useful lives of the assets and salvage values, procedures for the depreciation of additions and retirements, and the accounting for fully depreciated assets.

5. Annual fixed asset inventory by visually comparing the asset and the information on the detailed fixed asset listing.

6. Authorized use of its assets, such as a log noting date, person, purpose and location for the use of the asset.

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

ISSUE 4-3	ACCOUNTING POLICIES AND PROCEDURES

Results:

Adequately designed accounting policies and procedures enhance the reliability of the agency's financial reporting and better ensures compliance with applicable laws, regulation and contracts.

During our audit, Bair Foundation was able to provide us with written accounting procedures for accounts payable, accounts receivable, and payroll functions, however; these procedures were not approved by the Board. The agency also did not have an accounting policy with respect to the use of credit cards. The lack of written policies and procedures is an internal control weakness that if corrected would strengthen financial accountability and legal compliance.

Management Comment:

We recommend Bair Foundation develop and implement written accounting policies and procedures, that are approved by the Board. These policies and procedures should incorporate internal controls to ensure compliance with the applicable federal, state and county requirements.

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

Objectives:

1. To identify the administrative compliance requirements of the foster care program.

2. To identify significant administrative noncompliance with the provisions of the foster care program.

3. To determine if the Family Foster Home Records, completed and maintained by the PCPA/PNA, were in compliance with applicable sections of the Ohio Administrative Code.

4. To determine whether Title IV-E maintenance funds received by the Bair Foundation were used in accordance with the Social Security Act.

5. To determine whether the ODHS 2910 Purchased Family Foster Care Cost Report(s) submitted to ODJFS by the Bair Foundation was accurate and completed in accordance with ODJFS regulations.

BAIR FOUNDATION
SUPPLEMENT TO REPORT ON AGREED-UPON PROCEDURES

Procedures Performed:

1. We read the Board of Directors' minutes, employee listing, and organizational chart to identify potential conflicts of interest and self dealing transactions that could result in non-compliance with Ohio Admin. Code Section 5101:2-5-08.

2. We determined whether the family foster home files were maintained in compliance with the applicable rules prescribed in Ohio Admin. Code Chapter 5101:2.

3. We determined whether the PCPA/PNA established a policy on: respite care; alternative care arrangements; residency; training and verification of income and prior childcare experience and if a policy was authorized and documented.

4. We compared wages paid as identified on the ODHS 2910 Purchased Family Foster Care Cost Report(s) to wages paid as identified in the payroll records.

5. We traced potential questioned costs to the cost report.

ISSUE 5-1	PURCHASE OF SERVICE AGREEMENTS FOR FOSTER CARE AND PLACEMENT SERVICES

Results:

The Ohio Administrative Code requires public children services agencies enter into purchase of service agreements with providers of purchased family foster care.

The agreement must specify that foster care maintenance, administrative case management, and case planning and related administrative activities are being purchased.[30] In addition, sound business practices and public policy dictate that contracts between parties stipulate issues of fiscal accountability, compliance, and record retention.

The Bair Foundation did not enter into a comprehensive purchase of service agreement with PCSAs. Individual childcare agreements for each child were executed,[31] however, did not include the responsibilities of the contracting parties in regard to fiscal accountability, compliance, and record retention.

The lack of an effective system of contracting and contract monitoring[32] impairs the PCSA's ability to manage costs and increases the risk that requested services may not be provided or that improper amounts may be billed.

Management Comment:

ODJFS should establish through rule a standard contracting requirement for all PCSAs using the services of private agencies that effectively sets forth all applicable compliance requirements, fiscal accountability standards and allowable cost.

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30 Ohio Admin. Code Section 5101:2-33-18(A)

31 Ohio Admin. Code Section 5101:2-44-90(I). Prior to 7-1-00, the requirement for individual written childcare agreements was contained in Ohio Admin. Code Section 5101:2-42-91(A).

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

ISSUE 5-2	MONITORING OF THE BUDGET

Results:

Budgeting is an essential element of the financial planning, control, and evaluation process of the agency. The failure to monitor the budget could impair the governing body's ability to properly allocate resources as needed and manage costs to ensure services are provided in an efficient and effective manner.

Ohio Admin. Code Section 5101:2-5-08 (A), states in pertinent part, "A PCPA or PNA shall have an identifiable governing body responsible for establishing policies and assuring the effectiveness and efficiency of the PCPA or PNA in achieving its purposes. The duties of the governing body shall include, but are not limited to the following: ..(4) Reviewing, approving and monitoring a written annual budget for the PCPA or PNA Such budget shall ensure funding to provide services relevant to all certified functions and detail anticipated income and expenditures." The Board of Directors should monitor the budget and compare budget to actual results throughout the year. Monitoring the budget throughout the year provides the governing board a basis for measuring whether operations are achieving management's objectives and goals.

The Bair Foundation's Board of Directors approved an annual budget, but provided no evidence to indicate they monitored the budget at any time during the year.

By not monitoring the actual revenue and expenditures against the budget, the Board of Directors may not be able to make effective governing decisions based on the current financial status of the Placement Agency.

The Board of Directors may not be able to make effective governing decisions based on the current financial status of the Placement Agency by not approving the budget or monitoring the actual revenue and expenditures against the budget.

Management Comment:

We recommend that the Board of Directors review, monitor and compare the budget with the actual revenue and expenditures on a regular basis throughout the year to be in compliance with Ohio Admin. Code Section 5101:2-5-08. This will help ensure the governing body has a basis for measuring whether operations are achieving management's objectives and goals. We further recommend the review and monitoring of the budget be noted in the minutes of the Board.

ISSUE 5-3	COMPANY CREDIT CARDS

Results:

The Board should adopt policies to ensure credit card purchases are adequately controlled and monitored.

During testing of disbursements we noted that Sue Miklos, Executive Director, used her personal credit card to purchase goods and services on behalf of the agency, business related travel expenses, and items for her personal use. The agency's practice was to pay charges billed during the month which included a combination of goods and services purchased on behalf of the agency, her business related travel expenses, and items for her personal use. Sue Miklos would then reimburse the agency for her personal expenses.

By commingling agency and personal expenses on an employees credit card in the manner described above the agency was unnecessarily exposed to the risk that errors or irregularities could occur and go undetected.

Management Comment:

We recommend Bair Foundation use an agency owned credit card when purchasing goods or services for agency use. Employees using their personal credit cards for approved business travel or other business related expenses should be reimbursed upon submitting documentation. Under no circumstances should the agency pay for items of personal use charged to an agency or employees charge card.

ISSUE 5-4	COMPLETE AND ACCURATE INFORMATION ON APPLICATIONS

Results:

Ohio Admin. Code Section 5101:2-5-20 (C)(1) provides: “An agency shall not accept an application for a family foster home certificate and approval for adoptive placement which does not contain complete and accurate information.” The Placement Agency must take steps to assure the completeness and accuracy of information on the application.

Our review found that the Placement Agency did not take adequate measures to ensure the information on family foster home applications submitted were complete and accurate. Foster parent income was not verified in ten out of ten Family foster home applications. Furthermore, Foster parent employment was not verified in nine out of ten Family foster home applications. Failure to verify the completeness and accuracy of information on the Family Foster Home Application increases the risk that unsuitable applicants may be recommended and approved. In addition, ODJFS had not established guidelines and standards for Placement Agencies to document their compliance with this requirement.

Management Comment:

We recommend that ODJFS establish guidelines and standards for Placement Agencies to document their compliance with the administrative rules governing the licensing of family foster homes. In addition the management of the Placement Agency should periodically monitor foster home files to ensure compliance with ODJFS guidelines and standards.

ISSUE 5-5	ANNUAL ONGOING TRAINING

Results:

Ohio Admin. Code Section 5101:2-5-33(B) requires: “The training plan submitted pursuant to paragraph (A) of this rule shall include, but not be limited to:

(2) Not less than twelve hours of ongoing annual training to be required by the agency.

In one of the ten family foster home files tested, the foster parent received less than twelve hours of annual ongoing training. Per discussion with Renay Crouse, Director of Operations, twelve hours of training was done for the two-year certification period instead of on an annual basis. Additionally, no foster children were placed with the foster parent during the two-year certification period.

Failure to obtain the required foster parent training increases the risk that unsuitable applicants may be recommended and approved.

Management Comment:

We recommend that the Bair Foundation ensure that at least twelve hours of training is done on an annual basis.

ISSUE 5-6	TITLE IV-E COST REPORT

Results:

Five thousand two hundred thirty-seven dollars ($5,237) detailed as federal questioned costs in Issue 1-1 of this report, was charged against the foster care program, and/or reported as allowable costs on the 1998 ODHS 2910 Purchased Family Foster Care Cost Report.

ODJFS should determine the amount of over reporting by the Bair Foundation, and re-compute the Title IV-E per diem reimbursement rate that should have been paid to the Bair Foundation during the Period and reimburse HHS, ODJFS, or the PCSA for any over reimbursement resulting from the overstated costs.[33] Failure to properly classify program costs could result in federal questioned costs and have an adverse effect on the Title IV-E rate setting process.

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

Management Comment

Based on prior reports ODJFS has taken corrective action to implement comprehensive desk reviews[34] of all cost reports.[35] Controls could be further enhanced by conducting field audits selected on a sample basis using a risked-based approach.

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33 Pursuant to Ohio Admin. Code Section 5101:2-47-01(L). Prior to 5/1/98, these provisions were recited in Ohio Admin. Code Sections 5101:2-47-01, 5101:2-47-02, and 5101:2-46-03.

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

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

BAIR FOUNDATION
SUPPLEMENT TO REPORT ON AGREED-UPON PROCEDURES

SUMMARY OF FEDERAL QUESTIONED COSTS

JANUARY 1, 1998 - DECEMBER 31, 1998

QUESTIONED COSTS	ISSUE NUMBER	PAGE NUMBER	AMOUNT
Inadequately Documented Expenditures-Credit Cards	1-1	12	$93
Inadequately Documented Expenditures-Checks	1-1	12	$4,832
Total Inadequately Documented Expenditures			$4,925
Unallowed Costs for Entertainment	1-1	12	70
Unallowed Costs of Fines & Penalties	1-1	12	52
Total Unallowed Expenditures			$122
TOTAL FEDERAL QUESTIONED COSTS			**$5,047**

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BAIR FOUNDATION

LUCAS COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
SEPTEMBER 4, 2001