



**OFFICE OF THE DISTRICT OF COLUMBIA AUDITOR**

717 14<sup>TH</sup> STREET N.W., SUITE 900

WASHINGTON, D.C. 20005

TEL. 202-727-3600 • FAX: 202-724-8814

Deborah K. Nichols

District of Columbia Auditor

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**Audit of Child and Family Services Agency's  
Congregate Care Contract Expenditures**

**April 1, 2008**

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## **EXECUTIVE SUMMARY**

### **PURPOSE**

Pursuant to a request from Councilmember Tommy Wells, Chairperson, Committee on Human Services, and in accordance with section 455 of the District of Columbia Home Rule Act, as amended, Pub.L. No. 93-198, the District of Columbia Auditor (Auditor) conducted an audit of payments made by the Child and Family Services Agency (CFSA) under five congregate care contracts.

### **CONCLUSION**

The Auditor's examination found that CFSA's Fiscal Officer and other CFSA Administrators failed to establish adequate internal controls to prevent errors and potential improprieties in payments made to congregate care providers. The Auditor's review found that CFSA's invoice files lacked evidence that Fiscal Office staff consistently verified contracted per diem rates with CFSA's Office of Licensing and Monitoring or Contracting and Procurement Administration personnel, and handwritten changes to invoiced per diem rates were not adequately explained, justified, or documented in the paid invoice files.

The Auditor also found that since August 31, 2006 CFSA made improper payments totaling \$1,985,690.88 to a provider without a valid executed contract that were not ratified by the District's Chief Procurement Officer, as required. The Auditor further found that neither CFSA's Fiscal Officer nor Contracting and Procurement Administrator (C&P Administrator) properly monitored contract cost to ensure that payments did not exceed contract cost limits.

Finally, the Auditor found that neither CFSA's Fiscal Officer nor the C&P Administrator were able to identify and provide complete actual payments made to each of the 5 providers by contract number. The Auditor believes these are unacceptable business practices that undermine the integrity of CFSA's fiscal and procurement operations.

### **MAJOR FINDINGS**

1. CFSA's Fiscal Officer and other CFSA Administrators failed to establish adequate internal controls to prevent errors and other improprieties.
2. CFSA's fiscal staff failed to document their verification of contracted per diem rates prior to paying provider invoices.

3. CFSA's fiscal staff made payments to a provider in the absence of a valid executed contract that were not ratified by the District's Chief Procurement Officer.
4. CFSA's Fiscal Officer and Contracting Officer have not properly monitored and accounted for contract cost resulting in payments that may have exceeded contract cost limits.

### **MAJOR RECOMMENDATIONS**

1. CFSA's Fiscal Officer establish standard operating policies and procedures for the review and verification of charges invoiced by contractors/vendors prior to certification of payment. In doing so, CFSA's Fiscal Officer should also include compliance with the OCFO's internal control policies and procedures related to invoice review and certification as a performance measure for employee performance evaluation purposes.
2. CFSA's Fiscal Officer and Accounts Payable Supervisor immediately locate the 11 missing invoices totaling \$1,190,968.48 to substantiate their proper payment.
3. CFSA's Fiscal Officer and Accounts Payable Supervisor develop and implement procedures to ensure that Accounts Payable Technicians adhere to CFSA's invoice payment policies and procedures and always utilize the CFSA Payment Short/Adjustment forms when altering or adjusting monthly invoices.
4. CFSA's Contract Specialists and Program Monitors communicate with CFSA's Accounts Payable Technicians regularly and provide supporting documentation regarding specific contract terms, including per diem rates that directly affect provider payments. Proper and current documentation should be retained by CFSA's Fiscal Office for a minimum of five years.
5. After contract award, the assigned Contract Specialist immediately forward a copy of the contract's Price Schedule to the assigned Program Monitor and Accounts Payable Technician as notification of the contracted per diem rates. Whenever per diem rate adjustments are negotiated and approved, the Contract Specialist should immediately notify the Program Monitor and Accounts Payable Technician of the revised rates, provide a new Price Schedule, and retain documentation of negotiated changes in the contract file.

6. When reviewing invoices for payment approval, the Program Monitor and Contract Specialist verify the accuracy of per diem rates by reviewing the contract and certify their review by initialing the rate shown on the provider's invoice.
7. Accounts Payable Technicians verify the accuracy of the per diem rate by comparing the invoiced per diem rate to the most recent rate documentation received from the Contract Specialist. All differences should be resolved with the Contract Specialist based on documented evidence.
8. CFSA's Fiscal Officer require Accounts Payable Technicians to verify the existence of a valid contract prior to processing provider payments. No services should be ordered or accepted from contractors or vendors and no payments should be made in the absence of a valid executed contract.
9. CFSA's Director ensure that payments made to Jones and Associates without a contract are promptly authorized through the District's procurement ratification process.
10. The District's CFO and CFSA's Director hold the Fiscal Officer, C&P Administrator, and other CFSA personnel authorizing the delivery of goods and services and payments to a vendor in the absence of a valid written contract accountable to the fullest extent permissible, including termination, under the provisions of applicable District personnel law and rules.
11. CFSA Fiscal Officer and C&P Administrator monitor payments issued to providers to properly ensure providers are not paid in excess of their approved contract limits.
12. CFSA Fiscal Officer, C&P Administrator, and CFSA IT Technicians within 30 days develop a means to properly account for payments by contract number within FACES, as well as develop a monthly report which details each payment made to a provider by contract number, invoice number, invoice date, check number, payment type (scheduled or demand payment), type of service, per diem, and service date.
13. CFSA provide this report to the Auditor by the 15<sup>th</sup> of each month, in hard copy and electronic format, until further notice.

## **PURPOSE**

Pursuant to a request from Councilmember Tommy Wells, Chairperson, Committee on Human Services, and in accordance with section 455 of the District of Columbia Home Rule Act, as amended, Pub.L. No. 93-198,<sup>1</sup> the District of Columbia Auditor (Auditor) conducted an audit of payments made by the Child and Family Services Agency (CFSA) under five congregate care<sup>2</sup> contracts.

## **OBJECTIVES, SCOPE, AND METHODOLOGY**

The objectives of this audit were to determine whether:

1. invoices for payment were accurate, adequately supported, and in compliance with the corresponding congregate care contract, applicable District laws and regulations, and other relevant guidelines; and
2. payments made to congregate care providers were reasonable and allowable under the corresponding contract and consistent with the planned contract budget.

The scope of the audit covered the period October 1, 2004 through December 31, 2007. The Auditor examined supporting documentation for payments made during the audit period that were related to the following five congregate care contractors: #CFSA-04-C-0346, Echelon Community Services, Inc.; #CFSA-04-C-0363, Fihankra Place, Inc.; #CFSA-04-C-0350, Jones and Associates, Inc.; #CFSA-04-C-0340, TERRIFIC, Inc.; and #CFSA-04-C-0344, Umbrella, Inc.

In conducting this audit, the Auditor reviewed the contracts and contract modifications, contract budgets, CFSA's invoice payment procedures, and invoices and supporting documentation; and interviewed CFSA's finance staff and contractor personnel.

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<sup>1</sup>See section 455 (b) of the District of Columbia Home Rule Act, approved December 24, 1973 (Pub. L. No. 93-198; 87 Stat. 803); D.C. Code § 1-204.55 (b) (2001) which states: "The District of Columbia shall each year conduct a thorough audit of the accounts and operations of the government of the District in accordance with such principles and procedures and under such rules and regulations as he [she] may prescribe. *See also* D.C. Code § 1-204.55 (c) which states: "The District of Columbia Auditor shall have access to all books, accounts, records, findings, and all other papers, things, or property belonging to or in use by any department, agency, or other instrumentality of the District government and necessary to facilitate the audit."

<sup>2</sup>See RFP # CFSA-03-R-0005, dated July 28, 2003, p. 24, paragraphs C.1.1 through C.1.3.. Congregate care is one type of living environment in which children and youth in foster care may be placed. Unlike more family-based settings, congregate care facilities typically house several youth or children at a time. There are several categories of congregate care, some of which are: Diagnostic and Emergency Care, Traditional Group Home Care; Specialized Group Home Care; Independent Living Programs; Assisted Living Programs; Teen Parent Programs; and Community Based Return Diversion Programs.

The audit was conducted in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

## **BACKGROUND**

On July 28, 2003, CFSA's Contracting and Procurement Administration (CPA) issued Request for Proposal (RFP) # CFSA-03-R-0005 to competitively obtain congregate care services from multiple contractors. The five congregate care contracts reviewed by the Auditor were awarded by CFSA as a result of that competitive process. Each of the contracts awarded by CFSA through this RFP were indefinite quantity contracts<sup>3</sup> covering the period July 1, 2004 through June 30, 2005 (base year ) with four option years. Under these indefinite quantity contracts, contractors were to be paid a fixed unit/daily per diem rate based on the actual number of youth served. Additionally, some contracts contained provisions allowing contractors to be reimbursed for certain client specific costs, such as youth allowances, household supplies and furniture. Of the five contracts reviewed, two contained the reimbursement provisions: Fihankra Place, Inc., # CFSA-04-C-0363, and Jones and Associates, # CFSA-04-C-0350. Table I presents a summary of the congregate care service types and annual payment terms for the five sampled contracts.

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<sup>3</sup>See 27 DCMR §2499, which defines an indefinite quantity contract as " a contract that provides for an indefinite quantity, within written stated limits, of specific supplies or services, to be furnished during a fixed period, with deliveries to be scheduled by placing orders with the contractor. The contract requires the District to order and the contractor to furnish at least a stated minimum of supplies or services."

**Table I**  
**Congregate Care Service Types and Payment Terms (By Provider)**

| Provider                         | Congregate Care Service Type | Maximum Number of Youth Served | Per Diem Rate | Contract Price Based On | Contract Price Based On | Contract Price Based On |
|----------------------------------|------------------------------|--------------------------------|---------------|-------------------------|-------------------------|-------------------------|
|                                  |                              |                                |               | Amount                  | Amount                  | Amount                  |
| Echelon Community Services, Inc. | Traditional Group Home       | 9                              | \$200.00      | \$657,000.00            | \$0                     | \$657,000.00            |
| Fihankra Place, Inc.             | Teen Parents Program         | 24                             | \$186.05      | \$1,629,798.00          | \$359,986.00            | \$1,989,784.00          |
| Jones and Associates, Inc.       | Independent Living           | 55                             | \$139.06      | \$2,791,629.50          | \$584,975.00            | \$3,376,604.50          |
| TERRIFIC, Inc.                   | Traditional Group Home       | 6 (Female)                     | \$241.08      | \$527,965.20            | \$0                     | \$527,965.20            |
|                                  |                              | 6 (Male)                       | \$237.42      | \$519,949.80            | \$0                     | \$519,949.80            |
| Umbrella, Inc.                   | Traditional Group Home       | 5                              | \$294.00      | \$536,550.00            | \$0                     | \$536,550.00            |
| <b>TOTAL</b>                     |                              |                                |               | <b>\$6,662,892.50</b>   | <b>\$944,961.00</b>     | <b>\$7,607,853.50</b>   |

Source: Contract files maintained by CFSA's Contracting and Procurement Administration

Per diem rates were determined during contract negotiations and were based on providers' budgeted direct costs (e.g., staff salaries and wages, fringe benefits, consultant fees, insurance, rent, transportation, and maintenance costs) and indirect costs (e.g., administrative and overhead costs) associated with providing the required congregate care services. As shown in each contract's Price Schedule, per diem rates increased by 3 percent in each option year as a cost of living adjustment. Appendix I presents the selected providers' line item budgets used to develop the negotiated per diem rates.

CFSA's Contracts and Procurement Administrator (C&P Administrator) modified some of the providers' contracts to increase the maximum number of youth to be served, termed "slots," thereby increasing the maximum amount to be paid to the provider under the contract. Table II presents contract modifications made to increase the maximum number of slots with certain providers.

**Table II**  
**Summary of Modifications to Increase Provider Slots**

|                                                        | <b>Echelon<br/>Community<br/>Services</b> | <b>TERRIFIC, Inc.</b>           | <b>TERRIFIC, Inc.</b> | <b>Umbrella</b>       |
|--------------------------------------------------------|-------------------------------------------|---------------------------------|-----------------------|-----------------------|
| Contract Modification Number                           | M0002                                     | M0001                           | M0002                 | M0003                 |
| Original # of Slots Prior to Modification              | 9                                         | 6                               | 6                     | 5                     |
| Per Diem Rate                                          | \$200.00                                  | \$241.08                        | \$241.08              | \$294.00              |
| Total Original Contract Amount Prior to Modification   | \$657, 000                                | \$527,965.20                    | \$527,965.20          | \$536,550             |
| Effective Date of Change Per the Contract Modification | 7/1/06                                    | 12/28/04                        | 7/1/05                | 7/1/06                |
| Total increase of # slot per the Contract Modification | 8                                         | 6 (female)<br>Only for 185 days | 6 (female)            | 13                    |
| Revised # of Slots per the Contract Modification       | 17                                        | 12                              | 12                    | 18                    |
| Per Diem Rate                                          | \$213.00 <sup>4</sup>                     | \$241.08 <sup>5</sup>           | \$246.55 <sup>6</sup> | \$213.00 <sup>7</sup> |
| New Contract Value After Modification                  | \$1,321,665.00                            | \$795,564.00                    | \$1,079,889.00        | \$1,399,410.00        |

Source: CFSA's contract files

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<sup>4</sup>Per diem rate as stated per the Contract Modification dated July 1, 2006 is less than Echelon's Community Services, Inc. option year 2 contracted per diem rate of \$224.

<sup>5</sup>TERRIFIC, Inc. base year contracted per diem rate.

<sup>6</sup>TERRIFIC, Inc. option year 1 contracted per diem rate.

<sup>7</sup>Per diem rate as stated per the Contract Modification dated July 1, 2006 is less than Umbrella's contracted option year 2 per diem rate of \$311.

## **CFSA's Invoicing and Payment Process**

Providers invoice CFSA for two types of payments, **scheduled payments** which are based on the contracted per diem rate and the actual number of youth served and **demand payments** which typically are payments for reimbursable expenses.

### **Scheduled Payments**

CFSA uses a computerized case management system, FACES, to track each youth client's placement and maintain all relevant client and provider information, including billing and payment data. As of February 1, 2007, providers use a web-based application within FACES, known as Placement Provider Web (PPW), to prepare and verify monthly invoices.

Clients' service needs are identified and assessed by their assigned CFSA social worker. This assessment is formally communicated to the CFSA Placement Unit and CFSA Placement Unit determines the provider based on availability. When a client is placed with a provider, CFSA's Reconciliation Unit enters the date of service for the provider into FACES. The assigned CFSA Program Monitor and CFSA Placement staff will review the inputted data in FACES for accuracy. Providers are required to submit daily, weekly, and monthly census reports to CFSA's Office of Licensing and Monitoring (OLM), which CFSA uses to monitor the placement of youth. If a youth client is moved from one provider to another, it is the responsibility of CFSA's Reconciliation Unit to update FACES, indicating the youth's transfer.

On a monthly basis, FACES generates a Monthly Placement Utilization Report (MPUR) which shows the number of clients being served by each CFSA provider/contractor. At the end of each month, providers review the MPUR by accessing PPW to confirm their respective numbers of filled slots (clients served). Providers must notify CFSA's Placement Unit to resolve any noted errors. The provider's staff electronically approves the MPUR. FACES then automatically converts the MPUR data into a monthly invoice. A CFSA Accounts Payable Technician prints the invoice and a CFSA Document Control Technician then logs the invoice into CFSA's Invoice Tracking System (ITS). CFSA's ITS automatically assigns a unique identifying number to invoices when a Document Control Technician enters invoices into ITS. However, the Document Control Technician is responsible for writing this ITS document control number on the printed invoice. The assigned Accounts Payable Technician then processes the invoice for payment and sends the processed invoice to the Accounts Payable Supervisor for approval in FACES and ITS.

On a nightly basis, there is an automatic interface between FACES and the District's System of Accounting and Reporting (SOAR). Whenever invoices are generated in FACES, information is "shared" between the two systems. FACES transmits the following information to SOAR: provider/contractor name, contractor identification number, document tracking number, and invoice number. SOAR transmits the following information back to FACES: check number issued, check issue date, and check amount.

CFSA typically receives electronic invoices by the first of each month for services rendered during the immediately preceding month. CFSA's fiscal staff are to review invoices by the 15<sup>th</sup> of the month, with a goal of paying providers by the 20<sup>th</sup> day of each month.

Prior to the implementation of PPW in 2006, CFSA's invoice process was completely manual. The manual process required CFSA to mail each provider a monthly invoice based on the information shown in FACES. Providers would then verify the invoice's accuracy, sign it, and send it back to CFSA for payment.

#### Demand Payments

Demand payments are payments made to providers for their reimbursable expenses. Most of these expenses are not directly related to client services and may include: office expenses, household supplies, furniture, monthly allowances, rent, and utilities. The invoicing process for reimbursable expenses is manual, not automated. Therefore, to be reimbursed for allowable expenses, providers must submit "paper" invoices and supporting documentation to CFSA's Fiscal Office. Upon receipt of the invoice, the Document Control Technician logs it into the Invoice Tracking System (ITS) and distributes it to the assigned Accounts Payable Technician for processing. The Accounts Payable Technician will then forward the invoice to an assigned Specialist in the Contracting and Procurement Administration (CPA) for approval and certification. After approving the invoice, the Specialist forwards the invoice back to the assigned Accounts Payable Technician. It is the Accounts Payable Technician's responsibility to then process the invoice for payment by sending it to the Accounts Payable Supervisor for review and approval in FACES and ITS.

## FINDINGS

### **CFSA'S FISCAL OFFICER AND OTHER CFSA ADMINISTRATORS FAILED TO ESTABLISH ADEQUATE INTERNAL CONTROLS TO PREVENT ERRORS AND OTHER IMPROPRIETIES**

To establish adequate internal controls, management must develop and implement policies and procedures to ensure effective and efficient operations and to establish accountability at all levels of the agency.<sup>8</sup> With regard to financial management, the Office of the Chief Financial Officer (OCFO) has established written policies and procedures concerning the disbursement of public funds. Specifically, the OCFO's Financial Policies and Procedures manual (FPPM), Section 3020.700, entitled Internal Control, states that all invoices are to be examined prior to certification of payment, and payments are not to be made until the certifying or disbursing officer determines that the payment is proper, correct, and supported by adequate documentation. The Auditor found that CFSA's Fiscal Officer and other CFSA administrators failed to establish and adhere to necessary internal financial controls to ensure that payments made to providers were appropriately authorized and properly supported.

The Auditor examined supporting documentation for a sample of 100 payments made to the five congregate care contractors. The Auditor found that:

- CFSA's Fiscal Office staff could not locate 11 invoices totaling \$1,190,968.48;
- CFSA's Accounts Payable Technician failed to use required Notification of Short/Adjustment Payment forms to properly justify and support alterations made to 21 invoices totaling \$2,817,847.82;
- CFSA's Accounts Payable staff improperly paid one invoice totaling \$101,360.70 which was based on the use of an inaccurate per diem rate;
- CFSA's Accounts Payable staff paid three invoices totaling \$206,532.22 which lacked proper supporting documentation;

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<sup>8</sup>See D. Keith Wilson, C.P.A. et. al., PPC's Guide to Internal Control and Fraud Prevention, Second Edition, Practitioners Publishing Company, December 2003, p.1-6, which states: "Internal control is a process—effected by an entity's board of directors, management, and other personnel, designed to provide reasonable assurance regarding achievement of objectives in the following categories: (a) reliability of financial reporting; (b) effectiveness and efficiency of operations; and (c) compliance with applicable laws and regulations.

- CFSA paid 24 invoices totaling \$2,855,586.40 which lacked the provider's required certifying signature; and
- 37 invoices totaling \$4,956,670.94 lacked CFSA document tracking numbers.<sup>9</sup> The document tracking number aids CFSA's Accounts Payable staff in locating processed and paid invoices.

The Auditor further found that the Accounts Payable Supervisor did not adequately review Accounts Payable Technicians' work to ensure compliance with CFSA's invoice payment procedures. Moreover, due to an inadequate recordkeeping system, and the Document Control Technician's failure to consistently write assigned tracking numbers on invoices, paid invoices and their supporting documentation could not be readily retrieved.

## **RECOMMENDATIONS**

1. CFSA's Fiscal Officer establish standard operating policies and procedures for the review and verification of charges invoiced by contractors/vendors prior to certification of payment. In doing so, CFSA's Fiscal Officer should also include compliance with the OCFO's internal control policies and procedures related to invoice review and certification as a performance measure for employee performance evaluation purposes.
2. CFSA's Fiscal Officer actively enforce the OCFO's guidelines regarding the effective review and certification of invoices and supporting documentation before authorizing payment. CFSA employees violating the OCFO's guidelines must be immediately held accountable under the appropriate applicable personnel rules and procedures to the fullest extent permitted.
3. CFSA's Fiscal Officer review the current filing and records retention system to identify needed improvements and implement policies and procedures to ensure adequate and effective financial accountability and records management.
4. CFSA's Fiscal Officer and Accounts Payable Supervisor immediately locate the 11 missing invoices totaling \$1,190,968.48 to substantiate their proper payment.

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<sup>9</sup>CFSA's Invoice Tracking System (ITS) automatically assigns a unique identifying number to invoices when a Document Control Clerk/Technician enters them into ITS.

5. CFSA's Fiscal Officer and Accounts Payable Supervisor develop and implement procedures to ensure that Accounts Payable Technicians adhere to CFSA's invoice payment policies and procedures and always utilize the CFSA Payment Short/Adjustment forms when altering or adjusting monthly invoices.
6. The Accounts Payable Supervisor ensure that Document Control Technicians assign a Document Tracking System number to all invoices prior to forwarding them to Accounts Payable Technicians for processing. Accounts Payable Technicians must be required to return all invoices not bearing a tracking number to the Document Control Technician for assignment of a tracking number.

**CFSA'S Fiscal Staff Failed to Document Their Verification of Contracted Per Diem Rates Prior to Paying Provider Invoices**

Consistent with CFSA's Accounts Payable Technician Procedures,<sup>10</sup> a provider must submit backup documentation as required by the corresponding contract, and sign each monthly invoice as certification that the youth/children received the invoiced services. These invoices must also be certified by a Program Monitor in CFSA's Office of Licensing and Monitoring (OLM) or the assigned Specialist in CPA.

The Auditor found that paid invoice files did not contain evidence that Fiscal Office staff consistently verified contracted per diem rates with OLM or CPA personnel. Further, handwritten changes to invoiced per diem rates were not adequately explained, justified, or documented in the paid invoice files.

Additionally, the Auditor determined that CFSA contracting and accounts payable staff retained sufficient information to support the per diems paid to only two of the five sampled congregate care providers. For the remaining three providers, contract files and payment files lacked documentation of and justification for the per diem rates paid. CFSA contracting staff failed to retain Memoranda of Negotiations or Business Clearance Memoranda, which should have fully documented the negotiated per diem rates for the contract's base year and the four option years. CFSA contracting staff also failed to retain the original contract budget for Jones and Associates.

In accordance with the providers' contracts, per diem rates increased during each of the four option years. CFSA has not formally exercised options or negotiated a new contract with Jones and Associates. Further, between October 26, 2004 and January 1, 2008, CFSA paid Jones and

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<sup>10</sup>See CFSA's Accounts Payable Technician Procedures, dated June 18, 2007, p. 8.

Associates an unadjusted per diem rate of \$139.06. However, CFSA's C&P Administrator increased Jones and Associates per diem rate to \$160 per day per child in January 2008, but failed to prepare written justification for the \$21 increase.<sup>11</sup> The increased per diem rate is improper in absence of a valid contract between CFSA and Jones and Associates.

## **RECOMMENDATIONS**

1. CFSA's Contract Specialists and Program Monitors communicate with CFSA's Accounts Payable Technicians regularly and provide supporting documentation regarding specific contract terms, including per diem rates that directly affect provider payments. Proper and current documentation should be retained by CFSA's Fiscal Office for a minimum of five years.
2. After contract award, the assigned Contract Specialist immediately forward a copy of the contract's Price Schedule to the assigned Program Monitor and Accounts Payable Technician as notification of the contracted per diem rates. Whenever per diem rate adjustments are negotiated and approved, the Contract Specialist should immediately notify the Program Monitor and Accounts Payable Technician of the revised rates, provide a new Price Schedule, and retain documentation of negotiated changes in the contract file.
3. When reviewing invoices for payment approval, the Program Monitor and Contract Specialist verify the accuracy of per diem rates by reviewing the contract and certify their review by initialing the rate shown on the provider's invoice.
4. Accounts Payable Technicians verify the accuracy of the per diem rate by comparing the invoiced per diem rate to the most recent rate documentation received from the Contract Specialist. All differences should be resolved with the Contract Specialist based on documented evidence.
5. CFSA's Fiscal Officer require Accounts Payable Technicians to verify the existence of a valid contract prior to processing provider payments. No services should be ordered or accepted from contractors or vendors and no payments should be made in the absence of a valid executed contract.

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<sup>11</sup>See CFSA's proposed Letter Contract # CFSA-08-C-0168, submitted to Jones and Associates on January 2, 2008.

## **CFSA's Fiscal Staff Made Payments to a Provider In the Absence of a Valid Executed Contract That Were Not Ratified by the District's Chief Procurement Officer**

The Auditor found that since August 31, 2006, Jones and Associates has provided services without a contract and received payments totaling \$1,985,690.88 that were not ratified by the District's Chief Procurement Officer, as required. Effective August 9, 2006, the CPO issued OCP Policy Directive 1800.04 establishing procedures for the ratification of unauthorized commitments.<sup>12</sup> This policy directive applied to all agencies of the District government that contract pursuant to the provisions of the Procurement Practices Act, as amended.<sup>13</sup> The policy directive requires the submission of a ratification request package that must be approved by either the CPO or Council in order to pay a vendor for unauthorized commitments.<sup>14</sup> All payments issued and authorized by CFSA's Fiscal Officer, C&P Administrator, and other CFSA personnel to Jones and Associates are improper in the absence of a valid written contract.

### **RECOMMENDATIONS**

1. CFSA's Fiscal Officer require Accounts Payable Technicians to verify the existence of a valid contract prior to processing provider payments. No services should be ordered or accepted from contractors or vendors and no payments should be made in the absence of a valid executed contract.
2. CFSA's Director ensure that payments made to Jones and Associates without a contract are promptly authorized through the District's procurement ratification process.
3. The District's CFO and CFSA's Director hold the CFSA's Fiscal Officer, C&P Administrator, and other CFSA personnel authorizing the delivery of goods and services and payments to a vendor in the absence of a valid written contract accountable to the fullest extent permissible, including termination, under the provisions of applicable District personnel law and rules.

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<sup>12</sup>A *ratification* is the action or process by which the CPO authorizes payment for goods or services received by the District without a valid written contract. See OCP Directive 1800.04, effective August 9, 2006.

<sup>13</sup>See the District of Columbia Procurement Practices Act of 1985, effective February 21, 1986 (D.C. Law 6-85; D.C. Code § 2-302.02 (b)) See also OCP Directive 1800.04, effective August 9, 2006, p. 1.

<sup>14</sup>See Section 5.5 of OCP Directive 1800.04, effective August 9, 2006, p. 3-4, which states that: "[F]or a Ratification Package that either exceeds \$100,000 or is after the first two (2) requests submitted and approved on a vendor's behalf, the Ratification Package must first be approved by the Council before the CPO is authorized to take final action or Ratification Package."

**CFSA's FISCAL OFFICER AND CONTRACTING OFFICER HAVE NOT PROPERLY MONITORED AND ACCOUNTED FOR CONTRACT COST RESULTING IN PAYMENTS THAT MAY HAVE EXCEEDED CONTRACT COST LIMITS**

CFSA's Fiscal Officer is responsible for oversight and direct supervision of the financial and budgetary functions of CFSA. On the other hand, the C&P Administrator serves as CFSA's Chief Contracting Officer, responsible for overseeing, managing, and administering CFSA's contracts and procurement process.

CFSA's Fiscal Officer provided the Auditor with a listing of payments made to each of the providers by contract number for the audit period. Upon review and assessment of the data's integrity, the Auditor found that supporting information to validate the payment data was insufficient. The payment data lacked basic financial audit trail information such as: the clients' name; the clients' date of birth; and the per diem rates used to arrive at the total payments. Further analysis by the Auditor revealed that payment information provided by CFSA's Fiscal Officer could not be reconciled with payment information provided by the care providers.

Because CFSA's Fiscal Officer and C&P Administrator did not monitor or adequately report the actual payments made to providers, providers may have been paid amounts in excess of their contract limits. In fact, according to CFSA's Fiscal Officer, payments to one provider exceeded the contracted limit by \$43,400 for services provided to clients. CFSA's Fiscal Officer, however, failed to provide the Auditor with documentation to substantiate this overpayment.

**RECOMMENDATIONS:**

1. CFSA Fiscal Officer and C&P Administrator monitor payments issued to providers to properly ensure providers are not paid in excess of their approved contract limits.
2. CFSA Fiscal Officer, C&P Administrator, and CFSA IT Technicians within 30 days develop a means to properly account for payments by contract number within FACES, as well as develop a monthly report which details each payment made to a provider by contract number, invoice number, invoice date, check number, payment type (scheduled or demand payment), type of service, per diem, and service date.
3. CFSA provide this report to the Auditor by the 15<sup>th</sup> of each month, in hard copy and electronic format, until further notice.

4. CFSA's Fiscal Officer provide documentation supporting the \$43,000 overpayment, within 10 days of this report. If substantiated, the Auditor will make further recommendations regarding the recovery of these overpayments.

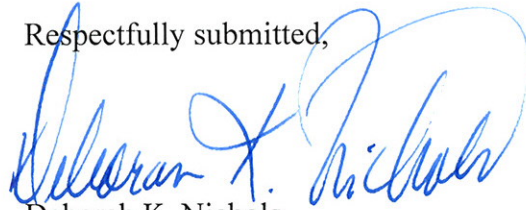
## **CONCLUSION**

The Auditor's examination found that CFSA's Fiscal Officer and other CFSA Administrators failed to establish adequate internal controls to prevent errors and potential improprieties in payments made to congregate care providers. The Auditor's review found that CFSA's invoice files lacked evidence that Fiscal Office staff consistently verified contracted per diem rates with CFSA's Office of Licensing and Monitoring or Contracting and Procurement Administration personnel, and handwritten changes to invoiced per diem rates were not adequately explained, justified, or documented in the paid invoice files.

The Auditor also found that since August 31, 2006 CFSA made improper payments totaling \$1,985,690.88 to a provider without a valid executed contract that were not ratified by the District's Chief Procurement Officer, as required. The Auditor further found that neither CFSA's Fiscal Officer nor Contracting and Procurement Administrator (C&P Administrator) properly monitored contract cost to ensure that payments did not exceed contract cost limits.

Finally, the Auditor found that neither CFSA's Fiscal Officer nor the C&P Administrator were able to identify and provide complete actual payments made to each of the 5 providers by contract number. The Auditor believes these are unacceptable business practices that undermine the integrity of CFSA's fiscal and procurement operations.

Respectfully submitted,



Deborah K. Nichols

District of Columbia Auditor

# APPENDIX

# PROVIDER LINE ITEM BUDGETS AND PER DIEM RATES

## APPENDIX I

### BASE YEAR BUDGET

| Line Item /Expense Category  | Echelon Community Services | % of Total Budget |            | Fihankra Place, Inc.   | % of Total Budget |            | Jones & Associates     | % of Total Budget |            | TERRIFIC, Inc.         | % of Total Budget |            | Umbrella, inc.         | % of Total Budget |            |
|------------------------------|----------------------------|-------------------|------------|------------------------|-------------------|------------|------------------------|-------------------|------------|------------------------|-------------------|------------|------------------------|-------------------|------------|
|                              |                            | Total Budget      | % of Total |                        | Total Budget      | % of Total |                        | Total Budget      | % of Total |                        | Total Budget      | % of Total |                        | Total Budget      | % of Total |
| Salaries                     | \$ 826,880.00              | 63.6%             |            | \$ 759,202.00          | 46.6%             |            | \$ 1,162,750.00        | 41.7%             |            | \$ 604,664.00          | 57.7%             |            | \$ 590,078.00          | 57.7%             |            |
| Fringe Benefits              | 147,312.32                 | 11.3%             |            | 172,319.00             | 10.6%             |            | 289,067.00             | 10.4%             |            | 125,020.00             | 11.9%             |            | 150,539.00             | 11.9%             |            |
| Consultants/Experts          | 79,560.00                  | 6.1%              |            | 18,200.00              | 1.1%              |            | 124,067.00             | 4.4%              |            | 4,500.00               | 0.4%              |            | 44,200.00              | 0.4%              |            |
| Occupancy                    | 131,120.00                 | 10.1%             |            | 279,406.00             | 17.1%             |            | 269,708.00             | 9.7%              |            | 49,538.00              | 4.7%              |            | 216,000.00             | 4.7%              |            |
| Travel and Transportation    | 21,700.00                  | 1.7%              |            | 33,008.00              | 2.0%              |            | 62,448.00              | 2.2%              |            | 13,998.00              | 1.3%              |            | -                      | 1.3%              |            |
| Supplies and Minor Equipment | 29,500.00                  | 2.3%              |            | 70,098.00              | 4.3%              |            | 81,500.00              | 2.9%              |            | 13,700.00              | 1.3%              |            | 51,600.00              | 1.3%              |            |
| Capital Equipment & Outlays  | -                          | 0.0%              |            | -                      | 0.0%              |            | -                      | 0.0%              |            | 3,500.00               | 0.3%              |            | -                      | 0.3%              |            |
| Client Costs                 | 48,130.00                  | 3.7%              |            | 289,888.00             | 17.8%             |            | 503,475.00             | 18.0%             |            | 44,876.00              | 4.3%              |            | 158,880.00             | 4.3%              |            |
| Communications               | 11,562.00                  | 0.9%              |            | 30,996.00              | 1.9%              |            | 24,600.00              | 0.9%              |            | 6,790.00               | 0.6%              |            | 5,100.00               | 0.6%              |            |
| Other Direct Costs           | 3,549.00                   | 0.3%              |            | 99,804.00              | 6.1%              |            | 69,909.00              | 2.5%              |            | 17,000.00              | 1.6%              |            | 52,434.00              | 1.6%              |            |
| Indirect Costs/Overhead      | -                          | 0.0%              |            | 189,377.00             | 11.6%             |            | 131,735.00             | 4.7%              |            | 164,347.00             | 15.7%             |            | 58,825.00              | 15.7%             |            |
| Subtotal Before Fees         | 1,299,313.32               | 100.0%            |            | 1,582,312.00           | 97.1%             | (a)        | 2,710,259.00           | 97.1%             | (a)        | 1,047,933.00           | 100.0%            |            | 1,327,657.00           | 100.0%            |            |
| Fee                          | -                          | 0.0%              |            | 47,469.00              | 2.9%              |            | 81,308.00              | 2.9%              |            | -                      | 0.0%              |            | 39,830.00              | 2.9%              |            |
| <b>Total Budget</b>          | <b>\$ 1,299,313.32</b>     | <b>100.0%</b>     |            | <b>\$ 1,629,781.00</b> | <b>100.0%</b>     | (c)        | <b>\$ 2,791,567.00</b> | <b>100.0%</b>     | (a)        | <b>\$ 1,047,933.00</b> | <b>100.0%</b>     |            | <b>\$ 1,367,487.00</b> | <b>100.0%</b>     |            |

### Per Diem Rates:

|               |           |           |           |           |           |           |
|---------------|-----------|-----------|-----------|-----------|-----------|-----------|
| Base Year     | \$ 200.00 | \$ 186.05 | \$ 139.06 | \$ 241.08 | \$ 237.42 | \$ 294.00 |
| Option Year 1 | \$ 231.70 | \$ 191.47 | \$ 139.06 | \$ 246.55 | \$ 244.21 | \$ 302.00 |
| Option Year 2 | \$ 224.00 | \$ 196.89 | \$ 143.22 | \$ 250.97 | \$ 248.96 | \$ 311.00 |
| Option Year 3 | \$ 224.00 | \$ 202.30 | \$ 143.22 | \$ 258.95 | \$ 256.43 | \$ 319.00 |
| Option Year 4 | \$ 247.00 | \$ 207.72 | \$ 147.51 | \$ 265.47 | \$ 261.35 | \$ 328.00 |
|               |           |           |           | Females   | Males     |           |

(a) The amount appears as shown in contractor's budget. Subtotal should be \$2,719,259 and the total budget, including fee should be \$2,800,567.

(b) TERRIFIC, Inc. was paid two different rates for male and female youth clients. The amount shown is the combined rate for both males and females.

(c) Jones and Associates totals per the providers' original FRP CFSA-03-005 Budget for October 1, 2003 to September 30, 2004. Revised Budget for RFP, not retained by CFSA.

Source: Budgets retained by CFSA's Contracting and Procurement Administration

**PROVIDER PROPORTIONED PER DIEM RATES  
BASED ON LINE ITEM BUDGETS**

**APPENDIX I**

| <b>Line Item /Expense Category</b> | <b>Echelon<br/>Community<br/>Services</b> | <b>Fihankra<br/>Place, Inc.</b> | <b>Jones &amp;<br/>Associates</b> | <b>TERRIFIC,<br/>Inc.</b> | <b>Umbrella,<br/>Inc.</b> |
|------------------------------------|-------------------------------------------|---------------------------------|-----------------------------------|---------------------------|---------------------------|
| <b>Base Year Per Diem Amount</b>   | <b>\$ 200.00</b>                          | <b>\$ 186.05</b>                | <b>\$ 139.06</b>                  | <b>\$ 478.50</b>          | <b>\$ 294.00</b>          |
| Salaries                           | \$ 127.28                                 | \$ 86.67                        | \$ 57.88                          | \$ 276.10                 | \$ 126.86                 |
| Fringe Benefits                    | \$ 22.68                                  | \$ 19.67                        | \$ 14.35                          | \$ 57.09                  | \$ 32.36                  |
| Consultants/Experts                | \$ 12.25                                  | \$ 2.08                         | \$ 6.14                           | \$ 2.05                   | \$ 9.50                   |
| Occupancy                          | \$ 20.18                                  | \$ 31.90                        | \$ 13.39                          | \$ 22.62                  | \$ 46.44                  |
| Travel and Transportation          | \$ 3.34                                   | \$ 3.77                         | \$ 3.07                           | \$ 6.39                   | \$ -                      |
| Supplies and Minor Equipment       | \$ 4.54                                   | \$ 8.00                         | \$ 4.06                           | \$ 6.26                   | \$ 11.09                  |
| Capital Equipment & Outlays        | \$ -                                      | \$ -                            | \$ -                              | \$ 1.60                   | \$ -                      |
| Client Costs                       | \$ 7.41                                   | \$ 33.09                        | \$ 25.04                          | \$ 20.49                  | \$ 34.16                  |
| Communications                     | \$ 1.78                                   | \$ 3.54                         | \$ 1.18                           | \$ 3.10                   | \$ 1.10                   |
| Other Direct Costs                 | \$ 0.55                                   | \$ 11.39                        | \$ 3.44                           | \$ 7.76                   | \$ 11.27                  |
| Indirect Costs/Overhead            | \$ -                                      | \$ 21.62                        | \$ 6.52                           | \$ 75.04                  | \$ 12.65                  |
| <b>Subtotal Before Fees</b>        | <b>\$ 200.00</b>                          | <b>\$ 221.73</b>                | <b>\$ 135.01</b>                  | <b>\$ 478.50</b>          | <b>\$ 285.44</b>          |
| Fee                                | \$ -                                      | \$ 5.42                         | \$ 4.05                           | \$ -                      | \$ 8.56                   |
| <b>Total Budget</b>                | <b>\$ 200.00</b>                          | <b>\$ 227.14</b>                | <b>\$ 139.06</b>                  | <b>\$ 478.50 (a)</b>      | <b>\$ 294.00</b>          |
| Less Reimbursable Client Costs:    |                                           |                                 |                                   |                           |                           |
| Supplies and Minor Equipment       | \$ -                                      | \$ 8.00 (b)                     | \$ -                              | \$ -                      | \$ -                      |
| Client Costs                       | \$ -                                      | \$ 33.09 (b)                    | \$ -                              | \$ -                      | \$ -                      |
| Female                             |                                           |                                 |                                   | \$ 241.08                 |                           |
| Male                               |                                           |                                 |                                   | \$ 237.42                 |                           |
| <b>Reconciled Per Diem</b>         | <b>\$ 200.00</b>                          | <b>\$ 186.05</b>                | <b>\$ 139.06</b>                  | <b>\$ 478.50</b>          | <b>\$ 294.00</b>          |

(a) TERRIFIC, Inc. was paid two different rates for male and female youth clients. The amount shown is the combined rate for both males and females.

(b) TERRIFIC, Inc. supplies, minor equipment, and client costs were deducted from the per diem rate because these expenses were included within the providers' Budgeted reimbursable amount (as referenced in Table I of the Report). Supplies and Minor Equipments cover expenses such as household supplies and furnishing, and office supplies and equipment. Client Costs include expenses such as food, clothing, allowances, toiletries, and transportation.

**PROVIDER ANNUAL BUDGET BREAKDOWN  
BASED ON CONTRACTED NUMBER OF CLIENTS**

**APPENDIX I**

Echelon Community Services, Inc.

| Line Item /Expense Category  | Appportioned<br>Per Diem | Number of<br>Clients<br>(Base Year) | Annual Amount        |
|------------------------------|--------------------------|-------------------------------------|----------------------|
| Salaries                     | \$ 127.27                | 9                                   | \$ 418,081.95        |
| Fringe Benefits              | \$ 22.68                 | 9                                   | \$ 74,503.80         |
| Consultants/Experts          | \$ 12.25                 | 9                                   | \$ 40,241.25         |
| Occupancy*                   | \$ 20.18                 | 9                                   | \$ 66,291.30         |
| Travel and Transportation    | \$ 3.34                  | 9                                   | \$ 10,971.90         |
| Supplies and Minor Equipment | \$ 4.54                  | 9                                   | \$ 14,913.90         |
| Capital Equipment & Outlays  | \$ -                     | 9                                   | \$ -                 |
| Client Costs                 | \$ 7.41                  | 9                                   | \$ 24,341.85         |
| Communications               | \$ 1.78                  | 9                                   | \$ 5,847.30          |
| Other Direct Costs           | \$ 0.55                  | 9                                   | \$ 1,806.75          |
| Indirect Costs/Overhead      | \$ -                     | 9                                   | \$ -                 |
| <b>Subtotal Before Fees</b>  | <b>\$ 200.00</b>         |                                     | <b>\$ 657,000.00</b> |
| Fee                          | \$ -                     |                                     | \$ -                 |
| <b>Total Budget</b>          | <b>\$ 200.00</b>         |                                     | <b>\$ 657,000.00</b> |

Fihankra Place, Inc.

| Line Item /Expense Category  | Appportioned<br>Per Diem | Number of<br>Clients<br>(Base Year) | Annual Amount          |
|------------------------------|--------------------------|-------------------------------------|------------------------|
| Salaries                     | \$ 86.66                 | 24                                  | \$ 759,141.60          |
| Fringe Benefits              | \$ 19.67                 | 24                                  | \$ 172,309.20          |
| Consultants/Experts          | \$ 2.08                  | 24                                  | \$ 18,220.80           |
| Occupancy*                   | \$ 31.90                 | 24                                  | \$ 279,444.00          |
| Travel and Transportation    | \$ 3.77                  | 24                                  | \$ 33,025.20           |
| Supplies and Minor Equipment | \$ 8.00                  | 24                                  | \$ 70,080.00           |
| Capital Equipment & Outlays  | \$ -                     | 24                                  | \$ -                   |
| Client Costs                 | \$ 33.09                 | 24                                  | \$ 289,868.40          |
| Communications               | \$ 3.54                  | 24                                  | \$ 31,010.40           |
| Other Direct Costs           | \$ 11.39                 | 24                                  | \$ 99,776.40           |
| Indirect Costs/Overhead      | \$ 21.62                 | 24                                  | \$ 189,391.20          |
| <b>Subtotal Before Fees</b>  | <b>\$ 221.72</b>         |                                     | <b>\$ 1,942,267.20</b> |
| Fee                          | \$ 5.42                  | 24                                  | \$ 47,479.20           |
| <b>Total Budget</b>          | <b>\$ 227.14</b>         |                                     | <b>\$ 1,989,746.40</b> |

Amount To Be Paid As Reimbursable

Expenses:

|                              |          |    |               |
|------------------------------|----------|----|---------------|
| Supplies and Minor Equipment | \$ 8.00  | 24 | \$ 70,080.00  |
| Client Costs                 | \$ 33.09 | 24 | \$ 289,868.40 |

**Amount Paid To be Paid As Scheduled**

|                         |                  |  |                        |
|-------------------------|------------------|--|------------------------|
| <b>Per Diem Payment</b> | <b>\$ 186.05</b> |  | <b>\$ 1,629,798.00</b> |
|-------------------------|------------------|--|------------------------|

\* Occupancy cost includes living expense such as trash, maintenance and repair, pest control, rent, utilities, and security.

**PROVIDER ANNUAL BUDGET BREAKDOWN  
BASED ON CONTRACTED NUMBER OF CLIENTS  
Jones & Associates, Inc.**

**APPENDIX I**

| <b>Line Item /Expense Category</b> | <b>Appportioned<br/>Per Diem</b> | <b>Number of<br/>Clients<br/>(Base Year)</b> | <b>Annual Amount</b>   |
|------------------------------------|----------------------------------|----------------------------------------------|------------------------|
| Salaries                           | \$ 57.82                         | 55                                           | \$ 1,160,736.50        |
| Fringe Benefits                    | \$ 14.35                         | 55                                           | \$ 288,076.25          |
| Consultants/Experts                | \$ 6.14                          | 55                                           | \$ 123,260.50          |
| Occupancy*                         | \$ 13.39                         | 55                                           | \$ 268,804.25          |
| Travel and Transportation          | \$ 3.07                          | 55                                           | \$ 61,630.25           |
| Supplies and Minor Equipment       | \$ 4.06                          | 55                                           | \$ 81,504.50           |
| Capital Equipment & Outlays        | \$ -                             | 55                                           | \$ -                   |
| Client Costs                       | \$ 25.04                         | 55                                           | \$ 502,678.00          |
| Communications                     | \$ 1.18                          | 55                                           | \$ 23,688.50           |
| Other Direct Costs                 | \$ 3.44                          | 55                                           | \$ 69,058.00           |
| Indirect Costs/Overhead            | \$ 6.52                          | 55                                           | \$ 130,889.00          |
| <b>Subtotal Before Fees</b>        | <b>\$ 135.01</b>                 |                                              | <b>\$ 2,710,325.75</b> |
| Fee                                | \$ 4.05                          | 55                                           | \$ 81,303.75           |
| <b>Total Budget</b>                | <b>\$ 139.06</b>                 |                                              | <b>\$ 2,791,629.50</b> |

**TERRIFIC, Inc.**

| <b>Line Item /Expense Category</b> | <b>Appportioned<br/>Per Diem</b> | <b>Number of<br/>Clients<br/>(Base Year)</b> | <b>Annual Amount</b>   |
|------------------------------------|----------------------------------|----------------------------------------------|------------------------|
| Salaries                           | \$ 276.10                        | 6                                            | \$ 604,659.00          |
| Fringe Benefits                    | \$ 57.09                         | 6                                            | \$ 125,027.10          |
| Consultants/Experts                | \$ 2.05                          | 6                                            | \$ 4,489.50            |
| Occupancy*                         | \$ 22.62                         | 6                                            | \$ 49,537.80           |
| Travel and Transportation          | \$ 6.39                          | 6                                            | \$ 13,994.10           |
| Supplies and Minor Equipment       | \$ 6.26                          | 6                                            | \$ 13,709.40           |
| Capital Equipment & Outlays        | \$ 1.60                          | 6                                            | \$ 3,504.00            |
| Client Costs                       | \$ 20.49                         | 6                                            | \$ 44,873.10           |
| Communications                     | \$ 3.10                          | 6                                            | \$ 6,789.00            |
| Other Direct Costs                 | \$ 7.76                          | 6                                            | \$ 16,994.40           |
| Indirect Costs/Overhead            | \$ 75.04                         | 6                                            | \$ 164,337.60          |
| <b>Subtotal Before Fees</b>        | <b>\$ 478.50</b>                 |                                              | <b>\$ 1,047,915.00</b> |
| Fee                                | \$ -                             | 6                                            | \$ -                   |
| <b>Total Budget</b>                | <b>\$ 478.50</b>                 |                                              | <b>\$ 1,047,915.00</b> |

\* Occupancy cost includes living expense such as trash, maintenance and repair, pest control, rent, utilities, and security.

**PROVIDER ANNUAL BUDGET BREAKDOWN  
BASED ON CONTRACTED NUMBER OF CLIENTS  
Umbrella, Inc.**

**APPENDIX I**

| Line Item /Expense Category  | Appportioned<br>Per Diem | Number of<br>Clients<br>(Base Year) | Annual Amount        |
|------------------------------|--------------------------|-------------------------------------|----------------------|
| Salaries                     | \$ 126.87                | 5                                   | \$ 231,537.75        |
| Fringe Benefits              | \$ 32.36                 | 5                                   | \$ 59,057.00         |
| Consultants/Experts          | \$ 9.50                  | 5                                   | \$ 17,337.50         |
| Occupancy*                   | \$ 46.44                 | 5                                   | \$ 84,753.00         |
| Travel and Transportation    | \$ -                     | 5                                   | \$ -                 |
| Supplies and Minor Equipment | \$ 11.09                 | 5                                   | \$ 20,239.25         |
| Capital Equipment & Outlays  | \$ -                     | 5                                   | \$ -                 |
| Client Costs                 | \$ 34.16                 | 5                                   | \$ 62,342.00         |
| Communications               | \$ 1.10                  | 5                                   | \$ 2,007.50          |
| Other Direct Costs           | \$ 11.27                 | 5                                   | \$ 20,567.75         |
| Indirect Costs/Overhead      | \$ 12.65                 | 5                                   | \$ 23,086.25         |
| <b>Subtotal Before Fees</b>  | <b>\$ 285.44</b>         |                                     | <b>\$ 520,928.00</b> |
| Fee                          | \$ 8.56                  | 5                                   | \$ 15,622.00         |
| <b>Total Budget</b>          | <b>\$ 298.09</b>         |                                     | <b>\$ 544,014.25</b> |

\* Occupancy cost includes living expense such as trash, maintenance and repair, pest control, rent, utilities, and security.

# **AGENCY COMMENTS**

## **AGENCY COMMENTS**

On March 13, 2008, the District of Columbia Auditor (Auditor) submitted this report in draft to the Child and Family Services Agency (CFSA), the Office of the Chief Financial Officer, and the Office of Contracting and Procurement (OCP) for review and comment. An exit conference was held with CFSA representatives on March 19, 2008.

The Auditor received written comments from the Office of the Chief Financial Officer and the Office of Contracting and Procurement. Where appropriate, the Auditor made changes to the final report in light of these comments. All agency comments are appended in their entirety to this final report. However, the Auditor offers an analysis addressing certain agency comments.

## **AUDITOR'S RESPONSE TO AGENCY COMMENTS**

The Auditor appreciates the comments on this report that were provided by the Office of the Chief Financial Officer (OCFO) and the Office of Contracting and Procurement (OCP). All comments are appended in their entirety to this final report. The Auditor made revisions to the final report, based on these comments, and also offers the following analysis and response to certain agency comments.

### **Office of the Chief Financial Officer Comments**

1. **CFSA's Fiscal Officer and Other CFSA Administrators Failed to Establish Adequate Internal Controls to Prevent Errors and Other Improprieties** The OCFO's response stated that, "in August of 2006, CFSA Fiscal Office engaged a consultant to work with the accounts payable and document control staff to assess the functions within Fiscal Operations related to the processing and payment of provider invoices and the subsequent retention of invoices through a central filing system. CFSA Fiscal Office did locate two of the 13 missing invoices. Of the remaining 11 invoices, 5 invoices had been taken off-site as part of CFSA's Fiscal Office project to image older financial documents, 5 invoices are from FY 2006 and one is from FY 2007."

**Auditor's Analysis:** The Auditor reiterates that the Document Control Unit (DCU) needs to further strengthen its central filing system to properly account for invoices which CFSA's Fiscal Office has approved and paid.

2. **CFSA's Fiscal Officer and Other CFSA Administrators Failed to Establish Adequate Internal Controls to Prevent Errors and Other Improprieties** The OCFO's response stated that, "The first invoice is the same one as referenced in the first response. The second invoice was for an invoice that was paid in full and included a vendor-signed invoice, date stamp and payment sign-off signatures. The third payment did lack proper supporting documentation."

**Auditor's Analysis:** The Auditor's finding that three invoices totaling \$206,532.22 lacked proper supporting documentation remains unchanged. The referenced "first" invoice totaling \$101,360.70 included additional documentation which was not provided to the Auditor when the invoices were requested and reviewed on January 28, 2008. Further, CFSA's Fiscal Officer failed to provide ODCA a copy of the second invoice which contained the vendor-signed invoice, date stamp and payment authorizing signatures.

3. **CFSA's Fiscal Officer and Other CFSA Administrators Failed to Establish Adequate Internal Controls to Prevent Errors and Other Improprieties** The OCFO's response stated, "CFSA Fiscal Office was unable to ascertain from this finding which invoices the Auditor identified as not having the required certifying signature. As part of the design of the Provider Placement Web (PPW) system, in lieu of a signature, the approval of the MPUR to an invoice serves as the formal transmission of a vendor invoices."

**Auditor's Analysis:** The Auditor provided CFSA's Fiscal Office with a detailed listing of the 100 invoices reviewed during the audit. Some of the invoices reviewed in 2007 after the implementation of the PPW were in fact signed by the provider. If electronic transmission takes the place of the vendors' actual signature certifying the invoice, CFSA's Fiscal Office should retain documentation when the electronic MPUR invoice is printed by the DCU to substantiate proper review by the vendor and certification of accuracy.

4. **CFSA's Fiscal Officer and Other CFSA Administrators Failed to Establish Adequate Internal Controls to Prevent Errors and Other Improprieties** The OCFO's response stated, "CFSA Fiscal Office was unable to ascertain from this finding which invoices the Auditor identified as not having the CFSA document tracking control number. Any invoices reviewed by the Auditor prior to the implementation of ITS will not have an assigned ITS number. Therefore prior to September 2006, CFSA Fiscal Officer had no reference system in place to track the process and payment of invoices."

**Auditor's Analysis:** Again, the Auditor provided CFSA's Fiscal Office with a detail listing of the 100 invoices reviewed during the audit.

5. **CFSA's Fiscal Staff Failed to Document Their Verification of Contracted per Diem Rates Prior to Paying Provider Invoices** The OCFO's response noted that contract price schedules are forwarded by the Contracts Specialists to the Program Monitor and the Fiscal Office. The Accounts Payable staff then compares the rates entered into FACES with the price schedules. Accounts Payable staff will be re-trained on this procedure, with an emphasis on reviewing these documents prior to making payments. Contract Specialists are responsible for entering the contract rates into FACES.

**Auditor's Analysis:** As noted by the Auditor's finding, invoices were paid without a valid contract in place and invoices were paid with inaccurate per diem rates. As such, it is evident that Accounts Payable staff did not routinely review Schedule B of the contract or document their communication with CFSA's Contracts and Procurement Administration. Proper review and monitoring of vendors' per diem rates is especially critical, because as CFSA's Fiscal Officer stated, "vendor placement contracts are not managed with a purchase order

system and funds supporting these contracts are not obligated or encumbered through the District's SOAR system." CFSA's Fiscal Officer is responsible for oversight and direct supervision of the financial functions of CFSA, and therefore is ultimately responsible for ensuring that payments are properly reviewed and approved prior to payment.

6. **CFSA's Fiscal Staff Made Payments to a Provider in the Absence of a Valid Executed Contract That Were Not Ratified by the District's Chief Procurement Officer** The OCFO's response states that, "CFSA is required to use a federally approved Statewide Automated Child Welfare System (SACWIS) known as "FACES" to document all placement and payment information for children that enter into the District's child welfare system. Vendor placement contracts are not managed with a purchase order system and funds supporting these contracts are not obligated or encumbered through the District's SOAR system. The Auditor's draft report notes payments made through the FACES system are interfaced with SOAR to generate payment checks. There are several administration's within the CFSA organization that are responsible for ensuring that payments are made accurately and in conformance with the terms of the vendor contracts. Each level of administrations responsibilities are segregated within FACES and are based on the employees' work and security levels provided by FACES internal security staff."

**Auditor's Analysis:** CFSA's federal requirement to utilize FACES has nothing to do with ensuring payments are not made in the absence of a valid executed contract or purchase order, and that payments made without a valid executed contracts are properly authorized through the District's procurement ratification process. Fiscal oversight of these types of transactions should be further heightened because these vendor placement contracts are not managed with a purchase order system and funds supporting these contracts are not obligated or encumbered through the District's SOAR system.

7. **CFSA's Fiscal Officer and Contracting Officer Have Not Properly Monitored and Accounted for Contract Cost Resulting in Payments That May Have Exceeded Contract Cost Limits** The OCFO's response states the scope of the audit covered 5 contracts, each with a base year and 3 option years, for a total of 20 contract years and \$33,183,825. Of the 20 contract actions, one contract action, the base contract year for Echelon (June 1, 2004 through June 30, 2005), appears to have had payments made in excess of its contract by \$43,400 for services provided to children.

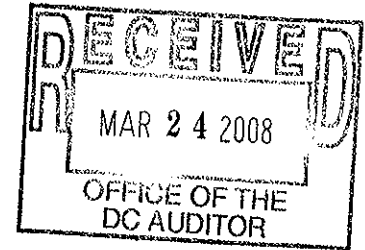
**Auditor's Analysis:** In interviews with the Audit Team, CFSA's Fiscal Officer and the Contracting and Procurement Administrator stated they do not monitor payments issued to the providers, therefore, the Auditor has no assurance that the payment information provided by CFSA's Fiscal Officer on March 21, 2008 is complete, accurate, or reliable. The payment

data lacked basic financial audit trail information such as the clients' name and the per diem rates used to arrive at the total payments. Additionally, the payment information provided did not include cost reimbursable payment information for all applicable providers.

**GOVERNMENT OF THE DISTRICT OF COLUMBIA**

**Office of the Chief Financial Officer**

Office of Integrity and Oversight



March 24, 2008

Deborah K. Nichols  
District of Columbia Auditor  
717 Fourteenth Street, NW, Suite 900  
Washington, DC 20005

Dear Ms. Nichols:

Thank you for the opportunity to respond to the recommendations in your draft report entitled: "Audit of Child and Family Services Agency's Congregate Care Contract Expenditures." The Office of the Chief Financial Officer (OCFO) comments to the report's findings and recommendations are presented below.

**Agency's Overview of Actions To Address Findings**

Before responding to each of the specific findings and recommendations, it is important to clarify the role of the FACES client information system in both the Child and Family Services Agency's (CFSA's) payment process to the vendors providing services to CFSA's children and families. It is also important to outline three specific activities the agency and the Fiscal Office have undertaken during the time period covered under the report that have strengthened internal financial controls and address a portion of the findings and recommendations made in this report. Taken together, these activities have produced a greater control and oversight of the agency's payments to its child placement vendor community.

**The Role of FACES in the CFSA Payment Process**

As noted in the draft report, CFSA uses a federally approved Statewide Automated Child Welfare System (SACWIS) known as "FACES" to document all placement and payment information for children that enter into the District's child welfare system. The development, implementation and maintenance costs of SACWIS systems such as FACES are partially funded by the federal government; therefore, the District is required to utilize the functionalities of the system or be subject to financial penalties from the federal government. As part of the Federal approval to be a certified SACWIS system, and in order to obtain federal funds, a functionality of the FACES system is to make child specific payments for all services provided on behalf of the children that enter into care. CFSA is therefore unique from other District agencies insofar as these services are not managed or paid through the District's PASS procurement system.

Because of the federal requirements, the vendor placement contracts are not managed with a purchase order system and funds supporting these contracts are not obligated or encumbered through the District's SOAR system. However, as the Auditor's draft report notes, payments made through the FACES system are interfaced with SOAR to generate payment checks.

With regard to payment for placement services, there are several administrations within the CFSA organization that are responsible for ensuring that payments are made accurately and in conformance with the terms of the vendor contracts:

- First, it is the responsibility of the social worker assigned to the child to document the placement decision made for placement.
- Second, it is the responsibility of the Placement Unit to monitor all CFSA placements and ensure that any changes to all child placements are recorded as quickly as possible in FACES.
- Third, it is the responsibility of the Contracts and Procurement Administration to enter and maintain the relevant contractual data (service(s) that are contracted, negotiated rates for the service(s), number of children to be served, contract period for the service(s), and total value of contract) within FACES.
- Finally, it is the responsibility of the Fiscal Office to pay services invoiced, based on a review of the invoice and a determination of the final amount to be paid.

Each of these responsibilities are segregated within FACES based on which part of the agency an employee works in and on the security level provided by the FACES internal security staff. For each of these areas, there are procedures in place to ensure that all data into FACES are as accurate and as timely as possible.

### **FACES Placement Provider Web Application - Implemented November 2006**

In an effort to streamline the processing of payments for child placements, CFSA implemented the Provider Placement Web (PPW) as part of the FACES system. The functionality is designed to ensure that the placement episodes of all children with the vendor agencies are entered into FACES in an accurate and timely manner. Based on this placement data and the vendor's approved per diem rate entered by the Contracts Specialist, a Monthly Placement Utilization Report (MPUR) is created for each of the vendor's room and board services. At the end of each month, the designated placement vendor staff reviews the MPUR and electronically approves it, which then converts the MPUR into an invoice for payment. The PPW system became operational in November, 2006 and all vendors were required to utilize PPW by February, 2007, per a modification to their contracts. The implementation of PPW has resulted in more accurate and timely payments made to the placement vendor community and greatly reduced the number and amount of reconciliation payments that had occurred prior to its implementation.

### **CFSA Invoice Tracking System - Implemented September 2006**

In September 2006, the agency implemented the CFSA Invoice Tracking System (ITS). The ITS is a web-based system to track and monitor the processing and payment of all vendor invoices

delivered to the CFSA Fiscal Office. All invoices received by the CFSA Fiscal Office are entered into the ITS, with a unique tracking number assigned to each invoice. Based on the program certification processes, the invoices are then assigned in ITS to the appropriate program staff for payment certification. The program staff is notified in ITS as invoices are delivered to them for certification. Once the program staff has certified the invoices for proper payment, the staff documents those approvals in the ITS, as well as on the invoice packages. The invoices are then tracked back to the Fiscal Office for payment.

The ITS system has proven to be an effective tool for managing the high volume of invoices that are delivered to the agency. The ITS has also aided in ensuring that payments are being made to the vendor community in an accurate and timely manner.

### **CFSA Fiscal Office Policies and Procedures- August 2006**

In an effort to address issues with regard to the accuracy and timeliness of payments made to the vendor community and also in strengthening internal financial systems and controls, in August 2006, the CFSA Fiscal Office engaged a consultant to work with the accounts payable and document control staff to assess the functions within Fiscal Operations related to the processing and payment of provider invoices and the subsequent retention of invoices through a central filing system. In addition, the consultant also focused on the timely release of remittance advices and the short pay letters. The consultant worked to retrain staff and upgrade procedures related to these processes. These procedures support the internal controls that are now in place and that, with the exception of the FACES component, adhere to the District's financial control standards.

### **Agency's Responses to Findings and Recommendations**

#### **FINDING 1: CFSA FISCAL OFFICER AND OTHER CFSA ADMINISTRATORS FAILED TO ESTABLISH ADEQUATE INTERNAL CONTROLS TO PREVENT ERRORS AND OTHER IMPROPRIETIES**

##### **Specific Auditor Findings:**

- CFSA's Fiscal Office staff could not locate 13 invoices totaling \$1,125,315.51

**OCFO Response:** In order to centralize files, beginning in January 2005, the CFSA Fiscal Office established a Document Control Unit. The Unit was established in order to centralize files that had previously been kept by individual accounts payable and other fiscal staff throughout the office. The Document Control Unit is responsible for managing the documents that flow through the CFSA accounts payable area and maintain other information pertaining to the flow of fiscal documents. As part of this responsibility, the Unit receives mail and manages the ITS in terms of inputting and closing out invoice activities. The Unit is also responsible for maintaining the Fiscal Office's central file room, which is located in a secure location near the Fiscal Office's work area.

In an effort to address issues with regard to the accuracy and timeliness of payments made to the vendor community and also in strengthening internal financial systems and controls, in August 2006, the CFSA Fiscal Office engaged a consultant to work with the accounts payable and document control staff to assess the functions within Fiscal Operations related to the processing and payment of provider invoices and the subsequent retention of invoices through a central filing system. In addition, the consultant also focused on the timely release of remittance advices and the short pay letters. The consultant worked to retrain staff and upgrade procedures related to these processes. These procedures support the internal controls that are now in place and that largely adhere to the District's financial control standards.

The CFSA Fiscal Office has located and presented to the Auditor two of the requested 13 missing invoices. Of the remaining 11 outstanding invoices, five invoices had been taken off-site as part of CFSA's Fiscal Office project to image older financial documents, five invoices are from FY 2006 and one is from FY 2007.

- CFSA's Account Payable technician failed to use required Notification of Short/Adjustment Payment forms to properly justify and support alterations made to 21 invoices totaling \$2,817,847.82

**OCFO Response:** The CFSA Fiscal Office was unable to ascertain from this finding which invoices the Auditor identified as requiring the use of the Notification of Short/Adjustment Payment forms. However, the CFSA Fiscal Office acknowledges some of the invoices examined by the Auditor did require the form. As part of the Consultant engagement noted above, accounts payable technicians were re-trained on the circumstances that necessitate the need for a Short Pay/Adjustment form. This point has been periodically re-emphasized to the accounts payable staff and will again be re-emphasized on an ongoing basis.

- CFSA's Accounts Payable staff improperly paid one invoice totaling \$101,360.70 which was based on the use of an inaccurate per diem rate

**OCFO Response:** The CFSA Fiscal Office provided documentation to the Auditor supporting the accurate payment of this invoice. The invoice in question totaled \$107,632.00 and CFSA paid \$101,360.70. The package submitted to the auditor included the following documentation:

- The vendor's invoice, signed by the vendor, date-stamped and payment sign-off signatures
- The Notification of Short/Adjustment Payment Form with notation indicating which child was not paid
- A screen shot from FACES noting the per diem for the service being invoiced
- The Contract Funding Document
- The Contract Pricing Schedule B

- CFSA's Accounts Payable staff paid three invoices totaling \$206,532.22 which lacked proper supporting documentation

**OCFO Response:** In reviewing the documentation provided by the Fiscal Office to the Auditor, the Fiscal Office believes that proper supporting documentation was not lacking for two the payments, totaling \$206,507.22.

- The first invoice is the same one as referenced in the immediately preceding response with the documentation included in that response.
  - The second invoice was for an invoice that was paid in full and included a vendor-signed invoice, date stamp and payment sign-off signatures.
  - The CFSA Fiscal Office concurs that the third payment, totaling \$25.00 was lacking proper supporting documentation.
- CFSA paid 24 invoices totaling \$2,855,586.50 which lacked the provider's required certifying signature

**OCFO Response:** In an effort to streamline the processing of payments for child placements, CFSA implemented the Provider Placement Web (PPW) as part of the FACES system. The functionality is designed to ensure that the placement episodes of all children with the vendor agencies are entered into FACES in an accurate and timely manner. Based on this placement data and the vendor's approved per diem rate entered by the Contracts Specialist, a Monthly Placement Utilization Report (MPUR) is created for each of the vendor's room and board services. At the end of each month, the designated placement vendor staff reviews the MPUR and electronically approves it, which then converts the MPUR into an invoice for payment. The PPW system became operational in November, 2006 and all vendors were required to utilize PPW by February, 2007, per a modification to their contracts.

The CFSA Fiscal Office was unable to ascertain from this finding which invoices the Auditor identified as not having the required certifying signature. However, as noted in the Auditor's draft report (Page 5) and in the explanation above, placement invoices generated from the PPW are derived from the vendor's MPUR. Once the designated vendor staff approver reviews and electronically approves the MPUR, the status of the MPUR changes within PPW to an approved invoice. That invoice is downloaded by CFSA Fiscal Office's Document Control staff, entered into the CFSA Invoice Tracking System, reviewed and processed for payment. As part of the design of the PPW system, in lieu of a signature, the approval of the MPUR to an invoice serves as the formal transmission of a vendor invoice.

- 37 invoices totaling 44,956,670.94 lacked CFSA's document tracking numbers. The document tracking number aids CFSA's Accounts Payable staff in locating processed and paid invoices

**OCFO Response:** In September 2006, the agency implemented the CFSA Invoice Tracking System (ITS). The ITS is a web-based system to track and monitor the processing and payment of all vendor invoices delivered to the CFSA Fiscal Office. All invoices received by the CFSA Fiscal Office are entered into the ITS, with a unique tracking number assigned to each invoice. Based on the program certification processes, the invoices are then assigned in ITS to the appropriate program staff for payment certification. The program staff is notified in ITS as invoices are delivered to them for certification. Once the program staff has certified the invoices for proper payment, the staff documents those approvals in the ITS, as well as on the invoice packages. The invoices are then tracked back to the Fiscal Office for payment.

The CFSA Fiscal Office was unable to ascertain from this finding which invoices the Auditor identified as not having the CFSA document tracking control number. As noted above, the CFSA Fiscal Office implemented a CFSA Invoice Tracking System (ITS) in September, 2006. Any invoices reviewed by the Auditor prior to the implementation of the ITS will not have an assigned ITS number.

#### **Auditor Recommendations to Finding 1:**

- 1.) CFSA establish standard operating policies and procedures for the review and verification of charges invoiced by contractors/vendors prior to certification of payment. In doing so, CFSA also include compliance with the OCFO internal control policies and procedures related to invoice review and certification as a performance measure for employee performance evaluation purposes.

**OCFO Response:** As noted above, in August 2006, the CFSA Fiscal Office engaged a consultant to work with the accounts payable and document control staff and retrain them on the procedures related to the daily functions within the Fiscal Operations related to the processing, payment and subsequent retention of invoices through a central filing system, as well as the timely release of remittance advices and the short pay letters. The consultant worked extensively with staff to implement changes in procedures related to these processes. These procedures support the internal controls that are now in place and, with the exception of the FACES component, adhere to the District's financial control standards.

- 2.) CFSA actively enforce the OCFO's guidelines regarding the effective review and certification of invoices and supporting documentation before authorizing payment. CFSA employees violating the OCFO guidelines must be immediately held accountable under the appropriate applicable personnel rules and procedures to the fullest extent possible.

**OCFO Response:** As noted in previous sections of this letter, CFSA has undertaken initiatives during the time period covered under the report that have strengthened internal financial controls. These initiatives include the implementation of the FACES Placement Provider Web application, the implementation of the agency's invoice tracking system, the re-training of the agency's fiscal staff and the

establishment of the Fiscal Office's Document Control Unit. These activities have increased control and oversight of the agency's payments to its child placement vendor community. CFSA will continue to monitor the progress of these initiatives and the performance of the agency in adhering to the procedures in place for proper review and certification invoices.

- 3.) CFSA's Fiscal Officer review the current filing and records retention system to identify needed improvements and implement policies and procedures to ensure adequate and effective financial accountability and records management.

**OCFO Response:** In order to centralize files, beginning in January 2005, the CFSA Fiscal Office established a Document Control Unit. The Unit was established in order to centralize files that had previously been kept by individual accounts payable and other fiscal staff throughout the office. The Document Control Unit is responsible for managing the documents that flow through the CFSA accounts payable area and maintain other information pertaining to the flow of fiscal documents. As part of this responsibility, the Unit receives mail and manages the ITS in terms of inputting and closing out invoice activities. The Unit is also responsible for maintaining the Fiscal Office's central file room, which is located in a secure location near the Fiscal Office's work area.

As also noted above, in August 2006, the CFSA Fiscal Office engaged a consultant to work with and retrain the accounts payable and document control staff on the daily functions within the Fiscal Operations related to the processing, payment and subsequent retention of invoices through a central filing system, as well as the timely release of remittance advices and the short pay letters. The consultant worked extensively with staff to implement changes in procedures related to these processes. These procedures support the internal controls that are now in place and that, with the exception of the FACES component, adhere to the District's financial control standards.

The CFSA Fiscal Office is currently undertaking a project to image older financial documents and have them available in an electronic format. This project is designed to make space available for more current fiscal documents while ensuring access to older documents via electronic storage.

- 4.) CFSA's Fiscal Officer and Accounts Payable Supervisor immediately locate the 13 missing invoices totaling \$1,125,315.51 to substantiate their proper payment.

**OCFO Response:** The CFSA is currently searching for the requested invoices. A portion of the requested records are being retrieved from an off-site location due to a project to image FY 2004 fiscal documents. Due to space limitations, the project is designed to make space available for more current fiscal documents while having access to older documents via electronic storage.

**FINDING 2: CFSA'S FISCAL STAFF FAILED TO DOCUMENT THEIR VERIFICATION OF CONTRACTED PER DIEM RATES PRIOR TO PAYING VENDOR INVOICES**

**OCFO Response to Finding:** There is a three fold process CFSA utilizes to verify contracted per diem rates prior to paying vendor invoices.

1. Fiscal Verification of Per Diem Rates – The CFSA Fiscal Office requires copies of Schedule B of the Contract which lists the contracted per diem rates before funding is approved. Upon obtaining a signed Funding Document which serves as verification of funds at the inception of a contract, the Fiscal Office is to be provided a copy of Schedule B and Section C (scope of work) of the Contract from the Contracts and Procurement Administration. The Fiscal staff requires and verifies this information before the Funding Document receives final sign-off. Copies of these documents are maintained by the Fiscal Office's Budget staff, with copies given to the Accounts Payable technicians.
2. Contracts Verification of Per Diem Rates – The Contracts and Procurement Administration is the only administration with the capability to enter per diem rates into FACES. FACES entry is done at the beginning of each performance period. Entry is based on Schedule B of the contract or on contract modifications. Any changes in the per diem rates are accompanied by a contract modification which is sent to the Fiscal Office when requesting funding approval for the modification.
3. Placement Provider Web which was put into effect in November 2006 does not allow a vendor to produce and invoice for a per diem rate other than that which is loaded into the FACES system by the Contracts and Procurement Administration staff.

**Auditor Recommendations to Finding 2:**

- 1.) CFSA's Contract Specialists and Program Monitors should communicate with CFSA's Accounts Payable Technicians routinely and regularly and provide supporting documentation regarding specific contract terms, including per diem rates that directly affect provider payments. Proper and current documentation should be retained by CFSA's Fiscal Office for a minimum of five years.

**OCFO Response:** As noted above, regular and routine communications do occur between the Contracts and Procurement Administration and Fiscal Office staffs with regard to contract issues. CFSA Fiscal staff receives copies of the schedules. Accounts Payable staff will be re-trained on this procedure, with an emphasis on review these documents prior to making payments.

- 2.) After contract award, the assigned Contract Specialist immediately forwards a copy of the contract's Price Schedule to the assigned Program Monitor and Accounts

Payable Technician as a notification of the contracted per diem rates. Whenever per diem rate adjustments are negotiated and approved, the Contract Specialist should immediately notify the Program Monitor and Accounts Payable Technician of the revised rates, provide a new Price Schedule, and retain documentation of negotiated changes in the contract file.

**OCFO Response:** As noted above, contract price schedules are forwarded by the Contracts Specialists to the Program Monitor and the Fiscal Office. The Accounts Payable staff then review the rates placed in FACES with the price schedules.

- 3.) When reviewing invoices for payment approval, the Program Monitor and Contract Specialist verify the accuracy of per diem rates by reviewing the contract and certify their review by initialing the rate shown on the provider's invoice.

**OCFO Response:** As previously noted, contract price schedules are forwarded by the Contracts Specialists to the Program Monitor and the Fiscal Office. The Accounts Payable staff then review the rates placed in FACES with the price schedules.

- 4.) Accounts Payable Technicians verify the accuracy of the per diem rate by comparing the invoiced per diem rate to the most recent documentation received from the Contract Specialist. All differences should be resolved with the Contract Specialist based on documented evidence.

**OCFO Response:** As noted above, the CFSA Fiscal staff receives these documents from the Contracts Specialist. Further, the Accounts Payable staff review the per diem rates that are placed in FACES and compare them to the current contract. Contract Specialists are responsible for entering the contract rates into FACES. Accounts Payable staff will be re-trained on this procedure, with an emphasis on review these documents prior to making payments.

- 5.) CFSA's Fiscal Officer requires Accounts Payable Technicians to verify the existence of a valid contract prior to processing provider payments. No services should be ordered or accepted from contractors or vendor and no payments should be made in the absence of a valid contract.

**OCFO Response:** See response below.

### **FINDING 3: CFSA'S FISCAL STAFF MADE PAYMENTS TO A PROVIDER IN THE ABSENCE OF A VALID EXECUTED CONTRACT THAT WAS NOT RATIFIED**

**OCFO Response to Finding:** As noted in the draft report, CFSA uses a federally approved Statewide Automated Child Welfare System (SACWIS) known as "FACES" to document all placement and payment information for children that enter into the District's child welfare system. The development, implementation and maintenance costs of SACWIS systems such as FACES are partially funded by the federal government;

therefore, the District is required to utilize the functionalities of the system or be subject to financial penalties from the federal government. As part of the Federal approval to be a certified SACWIS system, and in order to obtain federal funds, a functionality of the FACES system is to make child-specific payments for all services provided on behalf of the children that enter into care. CFSA is therefore unique from other District agencies insofar as these services are not managed or paid through the District's PASS procurement system. Because of the federal requirements, the vendor placement contracts are not managed with a purchase order system and funds supporting these contracts are not obligated or encumbered through the District's SOAR system. However, as the Auditor's draft report notes, payments made through the FACES system are interfaced with SOAR to generate payment checks.

With regard to payment for placement services, there are several administrations within the CFSA organization that are responsible for ensuring that payments are made accurately and in conformance with the terms of the vendor contracts:

- First, it is the responsibility of the social worker assigned to the child to document the placement decision made for placement.
- Second, it is the responsibility of the Placement Unit to monitor all CFSA placements and ensure that any changes to all child placements are recorded as quickly as possible in FACES.
- Third, it is the responsibility of the Contracts and Procurement Administration to enter and maintain the relevant contractual data (service(s) that are contracted, negotiated rates for the service(s), number of children to be served, contract period for the service(s), and total value of contract) within FACES.
- Finally, it is the responsibility of the Fiscal Office to pay services invoiced, based on a review of the invoice and a determination of the final amount to be paid.

Each of these responsibilities are segregated within FACES based on which part of the agency an employee works in and on the security level provided by the FACES internal security staff. For each of these areas, there are procedures in place to ensure that all data into FACES is as accurate and as timely as possible.

With regard to this circumstance, payments were made to this contractor under the period in question. Contract negotiations with the vendor were protracted and contentious and discussions were ongoing for a long period of time. Despite the fact the vendor was not under contract, services continued to be provided to these children. To cut off payments to the vendor would have meant having to displace children from their existing placement and find new and appropriate placements on short notice. The children served by this vendor are among the very hardest to place—adolescent children who are not with a foster family. While the agency has attempted to develop additional placement resources for this hard to serve population, the ability to attract and retain stable and reliable vendors to serve these children has been difficult, as documented by the agency. Second, in light of this difficulty and given the requirements of the *LaShawn* Court Order, alternative and comparable placements for these children may not have readily existed.

The vendor in question now has letter contract that is set to expire on April 30, 2008. Future payments without a contract for this or any other vendor will not be made without prior and specific approval from the Central CFO office.

**Auditor Recommendations to Finding 3:**

- 1.) CFSA's Fiscal Officer require Accounts Payable Technicians to verify the existence of a valid contract prior to processing provider payments. No services should be ordered and no payments should be made in the absence of a contract.

**OCFO Response:** See response above.

- 2.) Since there is no valid contract between CFSA and Jones and Associates, goods and services provided by the vendor to CFSA were improper and therefore must be immediately cease until a valid written contract is awarded to the vendor. Further, all payments made to or owed to Jones and Associates are improper in the absence of a valid written contract and must first be authorized through the District's procurement ratification process.

**OCFO Response:** CFSA has executed two letter contracts with Jones and Associates to provide services. The first letter contract ran from January 1, 2008 through February 29, 2008. The second letter contract is for the period of March 1, 2008 through April 30, 2008. If no contract is in place for services after April 30<sup>th</sup>, future payments without a contract will not be made without prior specific approval from the Central CFO office.

- 3.) CFSA personnel authorizing the delivery of goods and services and payments to a vendor in the absence of a valid written contract must be held accountable to the fullest extent permissible, including termination, under the provisions of applicable District personnel law and rules.

**OCFO Response:** All CFSA Fiscal staff has been counseled on the District's requirement that no payments are to be made to vendors without valid written contract. Future payments without a contract will not be made without prior specific approval from the Central CFO office.

**FINDING 4: CFSA FISCAL OFFICER AND CONTRACTING OFFICER HAVE NOT PROPERLY MONITORED CONTRACT COST RESULTING IN PAYMENT EXCEEDING CONTRACT COST LIMITS**

**OCFO Response to Finding:** The scope of the audit covers five contracts, each with a base year and three option years, for a total of 20 contract years and \$33,183,825. Of the 20 contract actions, one contract action, the base contract year for Echelon (for

the period of July 1, 2004 through June 30, 2005), appears to have had payments made in excess of its contract by \$43,400 for services provided to children.

**Auditor Recommendations to Finding 4:**

- 1.) CFSA Fiscal Officer, C&P Administrator and CFSA IT Technicians within 30 days develop a means to properly account for payments by contract number within FACES, as well as develop a monthly report by contract number, type of service, per diem and service date.

**OCFO Response:** This capability already exists within FACES and reports can be generated.

- 2.) CFSA provide this report to the Auditor each month, in hard copy and electronic format, until further notice.

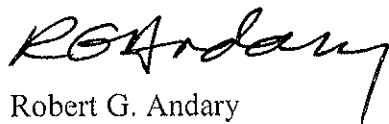
**OCFO Response:** CFSA will provide the requested reports.

- 3.) CFSA Fiscal Officer and CFSA IT Technicians within 10 days of this draft report provide the Auditor a listing of all scheduled and demand payments approved and issued through FACES for each of the providers by contract number from July 1, 2004 through December 31, 2007.

**OCFO Response:** This listing has been provided to the Auditor.

In closing, we appreciate the opportunity to respond to the findings of this draft audit report. If you have any questions or need additional information, please contact me at (202) 442-6433, or Justin Kopca, Agency Fiscal Officer for the Child and Family Services Agency, at (202) 727-7676.

Sincerely,



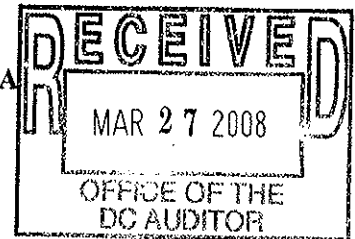
Robert G. Andary  
Executive Director

cc: Sharlynn E. Bobo, Ph.D, Director, Child and Family Services Agency  
Deloras Shepherd, ACFO, Human Support Services Cluster  
Justin Kopca, Agency Fiscal Officer, Child and Family Services Agency

GOVERNMENT OF THE DISTRICT OF COLUMBIA  
OFFICE OF CONTRACTING AND PROCUREMENT



Office of the Director



March 24, 2008

Ms. Deborah K. Nichols  
District of Columbia Auditor  
Office of the DC Auditor (ODCA)  
717 14<sup>th</sup> Street, N.W., Suite 900  
Washington, D.C. 20005

**RE: Review and Comment by the Chief Procurement Officer of Draft Report entitled "Audit of Child and Family Services Agency's Congregate Care Contract Expenditures."**

Dear Ms. Nichols:

I appreciate the opportunity to respond to the draft report entitled "Audit of Child and Family Services Agency's Congregate Care Contract Expenditures" (Attachment 1), dated March 13, 2008. In reviewing the draft report, I did not comment on fiscal recommendations, but limited my detailed review to the one matter that is clearly a contract issue.

**Recommendation #1:**

1. "CFSA established standard operating policies and procedures for the review and verification of charges invoiced by contractors/vendors prior to certification of payment. In doing so, CFSA also include compliance with the OCFO's internal control policies and procedures related to invoice review and certification as a performance measure for employee performance evaluation purposes.
2. CFSA actively enforce the OCFO's guidelines regarding the effective review and certification of invoices and supporting documentation before authorizing payment. CFSA employees violating the OCFO's guidelines must be immediately held accountable under the appropriate applicable personnel rules and procedure to the fullest extent permitted.
3. CFSA's Fiscal Officer review the current filing and records retention system to identify needed improvements and implement policies and

procedures to ensure adequate and effective financial accountability and records management.

4. CFSA's Fiscal Officer and Accounts Payable Supervisor immediately locate the 13 missing invoices totaling \$1,125,315.51 to substantiate their proper payment.
5. The Accounts Payable Supervisor develop and implement procedures to ensure that Accounts Payable Technicians adhere to CFSA's invoice payment policies and procedures and always utilize the CFSA Payment Short/Adjustment forms when altering or adjusting monthly invoices.
6. The Accounts Payable Supervisor ensure that Document Control Technicians assign an Invoice Tracking System number to all invoices prior to forwarding them to Accounts Payable Technicians for processing. Accounts Payable Technicians must be required to return all invoices not bearing a tracking number to the Document Control Technician for assignment of a tracking number."

**Response:** No comment.

**Recommendation #2:**

1. "CFSA's Contract Specialists and Program Monitors should communicate with CFSA's Accounts Payable Technicians routinely and regularly and provide supporting documentation regarding specific contract terms including per diem rates that directly affect provider payments. Proper and current documentation should be retained by CFSA's Fiscal Office of a minimum of five years.
2. After contract award, the assigned Contract Specialist immediately forward a copy of the contract's Price Schedule to the assigned Program Monitor and Accounts Payable Technician as notification of the contracted per diem rates. Whenever per diem rate adjustments are negotiated and approved, the Contract Specialist should immediately notify the Program Monitor and Accounts Payable Technician of the revised rates, provide a new Price Schedule and retain documentation of negotiated changes in the contract file.
3. When reviewing invoices for payment approval, the Program Monitor and Contract Specialist verify the accuracy of per diem rates by reviewing the contract and certify their review by initialing the rate shown on the provider's invoice.

4. Accounts Payable Technicians verify the accuracy of the per diem rate by comparing the invoiced per diem rate to the most recent rate documentation received from the Contract Specialist. All differences should be resolved with the Contract Specialist based on documented evidence.
5. CFSA's Fiscal Officer require Accounts Payable Technicians to verify the existence of a valid contract prior to processing provider payments. No services should be ordered or accepted from contractors or vendor and no payments should be made in the absence of a valid executed contract."

**Response:** No comment.

**Recommendation #3:**

1. "CFSA Fiscal Officer require Accounts payable Technicians to verify the existence of a valid contract prior to processing provider payments. No services should be ordered and no payments should be made in the absence of a contract.
2. Since there is no valid contract between CFSA and Jones and Associates, goods and services provided by the vendor to CFSA were improper and therefore must immediately cease until a valid written contract is awarded to this vendor. Further, all payments made to or owed to Jones and Associates are improper in the absence of a valid written contract and must first be authorized through the District's procurement ratification process.
3. CFSA personnel authorizing the delivery of goods and services and payments to a vendor in the absence of a valid written contract must be held accountable to the fullest extent permissible including termination, under the provisions of applicable District personnel law and rules."

**Response:** Concur.

**Recommendation #4:**

1. "CFSA Fiscal Officer, C&P Administrator, and CFSA IT Technicians within 30 days develop a means to properly account for payments by contract number within FACES, as well as develop a monthly report which details each individual payment made to provider by contract number, type of service, per diem, and service date.
2. CFSA provide this report to the Auditor each month, in hard copy and electronic format, until further notice.

3. CFSA Fiscal Officer and CFSA IT Technicians within 10 days of this draft report provide the Auditor a listing of all scheduled and demand payments approved and issued through FACES for each of the providers by **contract number** from July 1, 2004 to December 31, 2007."

**Response:** No comment.

I appreciate the opportunity to provide responses to the recommendations made by your office. Although CFSA is exempt from the authority of the District's Office of Contracting and Procurement (OCP) pursuant to the Procurement Reform Amendment Act of 1996, effective April 9, 2007 (D.C. Law 11-259; D.C. Code §§ 2-301.01 *et seq.*), it has been my experience that the agency is open to seeking procurement best practices. I am committed to working with this, and all other independent procurement agencies to bring consistency and a single public view of procurement in the District.

Sincerely

  
David P. Gragan, CPPO  
Chief Procurement Officer

Cc: Dan Tangherlini, City Administrator  
Sharlynn Bobo, Director, CFSA  
Wilbur Giles, Chief of Staff, OCP  
Nancy Hapeman, General Counsel, OCP  
Sheila Mobley, Assistant Director for Procurement Support, OCP

Attachment: Letter by the DC Auditor dated March 13, 2008 with Enclosure - Draft Report entitled "Audit of Child and Family Services Agency's Congregate Care Contract Expenditures."

GOVERNMENT OF THE DISTRICT OF COLUMBIA  
Office of the Chief Financial Officer

Office of Integrity and Oversight



March 18, 2008

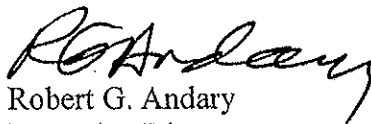
Deborah K. Nichols  
District of Columbia Auditor  
717 Fourteenth St., NW, Suite 900  
Washington D.C. 20005

Dear Ms. Nichols:

Thank you for the opportunity to respond to the recommendations in your draft audit reports regarding the Child and Family Services Agency. Detailed responses to the recommendations in both reports are being prepared by Ms. Deloras Shepherd, Associate Chief Financial Officer for Human Support Services Cluster, who will communicate her responses to you in a separate letter.

However, the draft audit report captioned "Audit of Child and Family Services Agency's Contracting and Quality Assurance Procedures" raised issues concerning possible Anti-Deficiency Act violations in recommendations four and six on pages 18-19. Please be advised that I will refer these issues to the Chairperson of the Board of Review for Anti-Deficiency Violations so that the final audit report can be reviewed by the Board at an upcoming meeting to determine whether the report discloses potential violations of D.C. Code §47-355.02. Any potential violations will then be addressed and resolved according to the Board's established procedures.

Sincerely,

  
Robert G. Andary  
Executive Director

cc: Deloras Shepherd, Associate Chief Financial Officer, Human Support Services Cluster

