



Office of Juvenile Affairs Special Audit Report July 1, 2002 – June 30, 2003

Audit Summary:

Questioned Costs

The questioned costs related to our review of contracts:

- ✓ CBYS contracts totaled \$733,155.99.
- ✓ CARS contracts totaled \$22,190.89.
- ✓ CIC contracts totaled \$151,172.42.
- ✓ The OAYS contract totaled \$19,672.37.
- ✓ Parent/Guardian Support Network (PGSN) totaled \$23,917.30.
- ✓ JAIBG contracts totaled \$115,886.00.

Documentation/Accountability

- ✓ Lack of contract monitoring. Pgs 13, 29, 46, 52, 57, 69 and 73
- ✓ Contract performance is not measured and outcomes of programs are not evaluated. Pgs 15, 39, 52 and 58
- ✓ Payments are remitted with limited documentation and accountability. Pgs 13, 51, 57 and 62
- ✓ Payments are remitted with limited fiscal and/or programmatic oversight. Pgs 36, 52 and 57
- ✓ No apparent rationale in determining the dollar amount of contracts. Pg 14
- ✓ Instances of contract not being signed and/or dated by OJA officials. Pg 64
- ✓ Approximately 29 instances of expenses in which we were unable to determine whether expenses were incurred prior to a valid contract or expenses were incurred subsequent of the period of availability. Pgs 64
- ✓ Instances where the "close out" documentation was not submitted or incorrect. Pg 69
- ✓ We were unable to confirm the accountability of interest generated from federal JAIBG funds. Pg 83

Services to Youth

- ✓ Questionable whether youth are receiving the services they may need. Pg 35
- ✓ Questionable whether contractors would be capable of delivering the services without the funding created through the contract. Pgs 11 and 45
- ✓ Documentation did not support hours billed. Pgs 30, 31, 32 and 34
- ✓ Client signatures on service verification reports were inconsistent. Pgs 31 and 32
- ✓ Instances in which Medicaid eligibility was not verified. Pgs 31 and 33
- ✓ Treatment provided in excess of the amount authorized. Pgs 32, 33, 34 and 35
- ✓ Treatment plans were incomplete. Pgs 32 and 33
- ✓ Missing client files. Pgs 32, 33 and 34

JEFF A. McMAHAN, CFE

OKLAHOMA OFFICE

OF THE

STATE AUDITOR & INSPECTOR

Why the audit was performed

The Attorney General requested the audit pursuant to 74 O.S. 2001, § 18f.

To view a copy of the entire report, please visit our website at: www.sai.state.ok.us.

If you have questions or would like to contact our office, please call (405) 521-3495.



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Why the audit was performed

The Attorney General requested the audit pursuant to 74 O.S. 2001, § 18f.

Audit Summary:

Questionable Practices

- ✓ State statute appears to provide exclusive privileges to private non-profit corporations. Pg 8
- ✓ Laws 2002, SB 1164 c.433, § 2, exempts private non-profit corporations from a budget reduction. Pg 9
- ✓ OJA uses reimbursement contracts although State Statute apparently requires fixed rate contracts, which resulted in payment of fluctuating operating costs. Pgs 9, 44, 52 and 58
- ✓ Questionable billing methods by one Youth Service Agency. Pg 31
- ✓ Reimbursements for questionable employee related expenses of private contractors. Pgs 16, 21, 23, 24, 25, 26, 41, 42 and 48
- ✓ Reimbursed employee bonuses for private contractors. Pgs 19, 23, 24, 41, 42 and 47
- ✓ Reimbursed bonuses paid to one Youth Service Agency director for the purpose of making campaign contributions. Pg 17
- ✓ One Youth Service Agency was reimbursed lease payments made to an organization it created. Pg 21
- ✓ Reimbursed for Oklahoma Association of Youth Services dues. Pgs 16, 23, 24, 25 and 42
- ✓ Reimbursed for building depreciation. Pgs 23 and 24
- ✓ A possible double payment of indirect costs in the amount of \$37,125.78. Pg 24
- ✓ Possible duplicate payment for services already rendered through the payment of membership dues to OAYS. Pg 44
- ✓ A municipality obligated OJA for expenses related to one Youth Service Agency. P 41
- ✓ Basis for a \$16,000.00 budget increase is questionable. Pg 55
- ✓ Possible overpayment of \$7,717.30 for facilitators. Pg 59

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Audit Summary:

Questionable Practices (continued)

- ✓ Instances of overlapping contract periods. Pg 65
- ✓ Instances of budget revisions not approved by OJA. Pg 66
- ✓ On 2 occasions checks were sent to subrecipients that had not submitted a request for reimbursement. Pg 67
- ✓ Instances where there were no assignment waivers to sub-contractors. Pg 67
- ✓ State law establishes a contract method that allows circumvention of JAIBG and competitive bidding requirements. Pgs 68 and 72
- ✓ Instances where it was difficult to determine if the subrecipient met a cash match. Pg 68
- ✓ A subcontractor was advanced \$115,000.00 in September 2001. Pg 72
- ✓ In September 2001, a contract was executed two days before the end of the funding period creating a circumstance in which expenses were incurred subsequent to the period of availability. Pg 73
- ✓ A September 2001 contract was awarded in the amount of \$115,000.00 in excess of the \$10,000.00 maximum established by the Juvenile Crime Enforcement Coalition. Pg 74
- ✓ The signature of a county official appears questionable. Pg 75
- ✓ An OJA employee attempted to file a travel claim that included travel expenses that had not been incurred. Pg 79
- ✓ An OJA employee continued to file mileage claims for approximately ten months after a state vehicle was delivered totaling \$6,686.51. Pg 79
- ✓ Vehicle logs were not maintained. Pg 79
- ✓ An organization may have obtained \$20,000.00 in federal funds under false pretenses. Pg 82
- ✓ A Youth Service Agency may have been reimbursed for a program that did not exist. Pg 83
- ✓ The Office of Public Integrity reports to the Executive Director and not the OJA Board or an audit committee. Pg 84

Why the audit was performed

The Attorney General requested
the audit pursuant to 74 O.S. 2001,
§ 18f.

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OKLAHOMA OFFICE OF JUVENILE AFFAIRS

SPECIAL INVESTIGATIVE AUDIT REPORT

FISCAL YEAR ENDING JUNE 30, 2003



STATE OF OKLAHOMA
OFFICE OF THE AUDITOR AND INSPECTOR

Jeff A. McMahan
State Auditor and Inspector

April 12, 2005

Honorable Drew Edmondson
Attorney General- State of Oklahoma
Room 112, State Capitol
Oklahoma City, Oklahoma 73105

Transmitted herewith is the Special Investigative Audit Report of the Oklahoma Office of Juvenile Affairs. We performed our special investigative audit in accordance with the requirements of 74 O.S. 2001, § 18f.

A report of this type is critical in nature; however we do not intend to imply that our report failed to disclose commendable features in the present accounting and operating procedures of the Office of Juvenile Affairs.

The Office of the State Auditor and Inspector is committed to serve the public interest by providing independent oversight and by issuing reports that serve as a management tool to the State. Our goal is to ensure a government, which is accountable to the people of the State of Oklahoma.

We wish to take this opportunity to express our appreciation for the assistance and cooperation extended to our Office during the course of our special investigative audit.

Sincerely,

A handwritten signature in cursive script that reads "Jeff A. McMahan".

JEFF A. McMAHAN, CFE
State Auditor and Inspector

**OKLAHOMA OFFICE OF JUVENILE AFFAIRS
SPECIAL INVESTIGATIVE AUDIT REPORT
FISCAL YEAR ENDING JUNE 30, 2003**

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**OKLAHOMA OFFICE OF JUVENILE AFFAIRS
SPECIAL INVESTIGATIVE AUDIT REPORT
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OFFICE OF JUVENILE AFFAIRS

Mr. Richard Delaughter Executive Director

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STATE OF OKLAHOMA
OFFICE OF THE AUDITOR AND INSPECTOR

Jeff A. McMahan
State Auditor and Inspector

Office of Juvenile Affairs
3812 North Santa Fe
Suite 400
Oklahoma City, Oklahoma 73118

Pursuant to the Attorney General's request and in accordance with the requirements of 74 O.S. 2001, § 18f, we performed a special investigative audit with respect to the Office of Juvenile Affairs, for the period of July 1, 2002 through June 30, 2003.

Our audit focuses on concerns that resulted from our previous report released April 22, 2004.

Our findings and concerns related to these procedures are presented in the accompanying report.

Because the above procedures do not constitute an audit conducted in accordance with generally accepted auditing standards, we do not express an opinion on the account balances or financial statements of the Office of Juvenile Affairs for the period July 1, 2002 through June 30, 2003.

Further, due to the test nature and other inherent limitations of a special investigative audit report, together with the inherent limitations of any internal control structure, there is an unavoidable risk that some material misstatements may remain undiscovered. This report relates only to the accounts and items specified above and do not extend to any financial statements of the Office taken as a whole.

This report is intended to provide information to the Attorney General, Office Board Members and Administration of the Agency. This restriction is not intended to limit the distribution of the report, which is a matter of public record when released.

Sincerely,

A handwritten signature in cursive script that reads "Jeff A. McMahan".

JEFF A. McMAHAN, CFE
State Auditor and Inspector

December 13, 2004

**OKLAHOMA OFFICE OF JUVENILE AFFAIRS
SPECIAL INVESTIGATIVE AUDIT REPORT
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INTRODUCTION

Office of Juvenile Affairs is an agency of the State of Oklahoma. Created under Title 10 O.S. § 7302-2.2 et seq., the Office of Juvenile Affairs is entrusted by the people of Oklahoma to provide professional prevention, education, and treatment services as well as secure facilities for juveniles in order to promote public safety and reduce juvenile delinquency. Within the Office of Juvenile Affairs is the Oklahoma Department of Juvenile Justice which is responsible for programs and services for juveniles alleged or adjudicated to be delinquent or in need of supervision.

The Office of Juvenile Affairs through the Oklahoma Department of Juvenile Justice provides services to the State of Oklahoma such as Community Intervention, OJA Community Volunteer Programs, treatment centers, Parental Responsibility Projects, and Vocational Training.

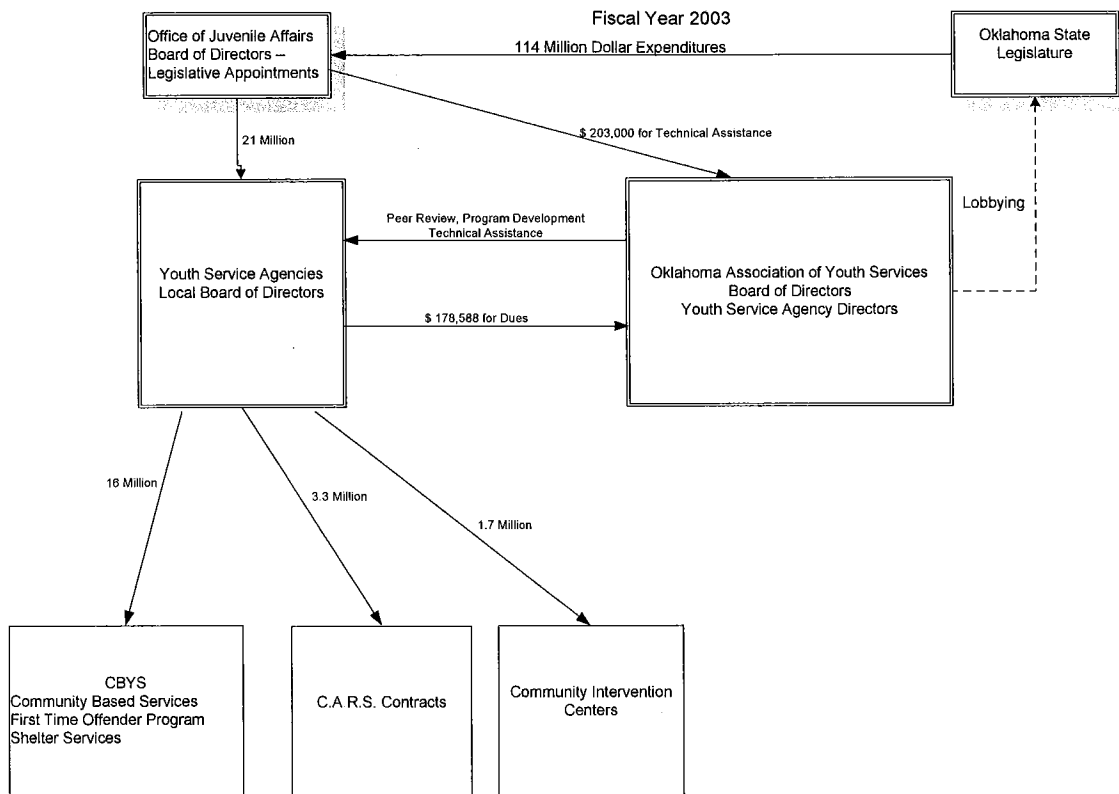
The State Auditor and Inspector conducted a special investigative audit of the records of the Office of Juvenile Affairs, primarily those records relating to the Attorney General's concerns. The results of the special investigative audit are in the following report.

YOUTH SERVICE AGENCY CONTRACTS

The following findings are related to our review of documentation pertaining to 8 of the 41 Youth Service Agencies. It is not our intent to imply these finding are a reflection of Youth Service Agencies as a whole. Nor do we intend to imply that Youth Service Agencies as a whole do not provide a valuable service to local communities.

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FLOW OF FUNDS



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BACKGROUND

Oklahoma Association of Youth Services (OAYS) is a private nonprofit association that is comprised of 41 independent Youth Service Agencies across the State. Each OAYS Agency is community based and locally controlled by a citizen board of directors. Youth Service Agencies provide services and programs to youth and families, which include individual and group counseling, mentoring, parenting classes, first offenders programs, shelters, community intervention centers, and services for at-risk youth.

The primary revenue sources for OAYS are the annual OJA contract, a Department of Human Services contract and membership dues from the member agencies. The funding from the OJA annual training contract provides 37% of the total OAYS income and the membership dues provides 33%. The OJA funding and the membership dues total 70% of the OAYS income. (See Exhibit 5)

The following is an example of the various funding sources provided to Youth Service Agencies through contracts with OJA:

Community-Based Services: Prevention and diversionary services for youth alleged or adjudicated to be in need of supervision. The services provided include; diagnosis, crisis intervention, counseling, group work, case supervision, and job placement.

Shelter Services: Emergency Youth Shelters are short-term crisis oriented residential placement for youth under the age of 18. Thirty-two (32) of the forty-one (41) designated agencies provide shelter services, which range from host homes to fully staffed shelters.

First-Time Offender Program (FTOP): This program offers enrollment, screening, and twelve hours of group services to youth and families whose youth have committed misdemeanor and low felony offences. Sessions cover topics such as the juvenile justice system, socialization, communication, anger management, conflict resolution, cultural resolution, cultural sensitivity, value awareness, and controlling one's behavior.

Community Intervention Center (CIC): These centers provide a short-term facility to receive and hold juveniles taken into custody by law enforcement agencies for an alleged act in which detention is inappropriate or unavailable. This funding source is provided to Youth Service Agencies pursuant to subcontracts with municipalities. Only one CIC in the state is not operated by a Youth Service Agency.

Community At Risk Services (CARS): These are rate-based services provided to juveniles under court probation, deferred prosecution agreements or in OJA custody with the emphasis on high risk and medium risk juveniles. The services include mentoring, tutoring, counseling, diagnostic and evaluation services and supervision of youth in independent living.

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The total approximate amounts expended by OJA for these programs are as follows:

<u>PROGRAM</u>	Fiscal Year 2001	Fiscal Year 2002	Fiscal Year 2003
Community Based Services	\$6,135,000	\$6,110,000	\$6,244,000
Shelter Services	7,417,000	7,820,000	7,550,000
First-Time Offender Program	2,405,000	2,405,000	2,321,000
Community Intervention Centers	1,543,000	1,679,000	1,661,000
Community At Risk Services	3,555,000	4,095,000	3,357,000
Totals	\$21,055,000	\$22,109,000	\$21,133,000

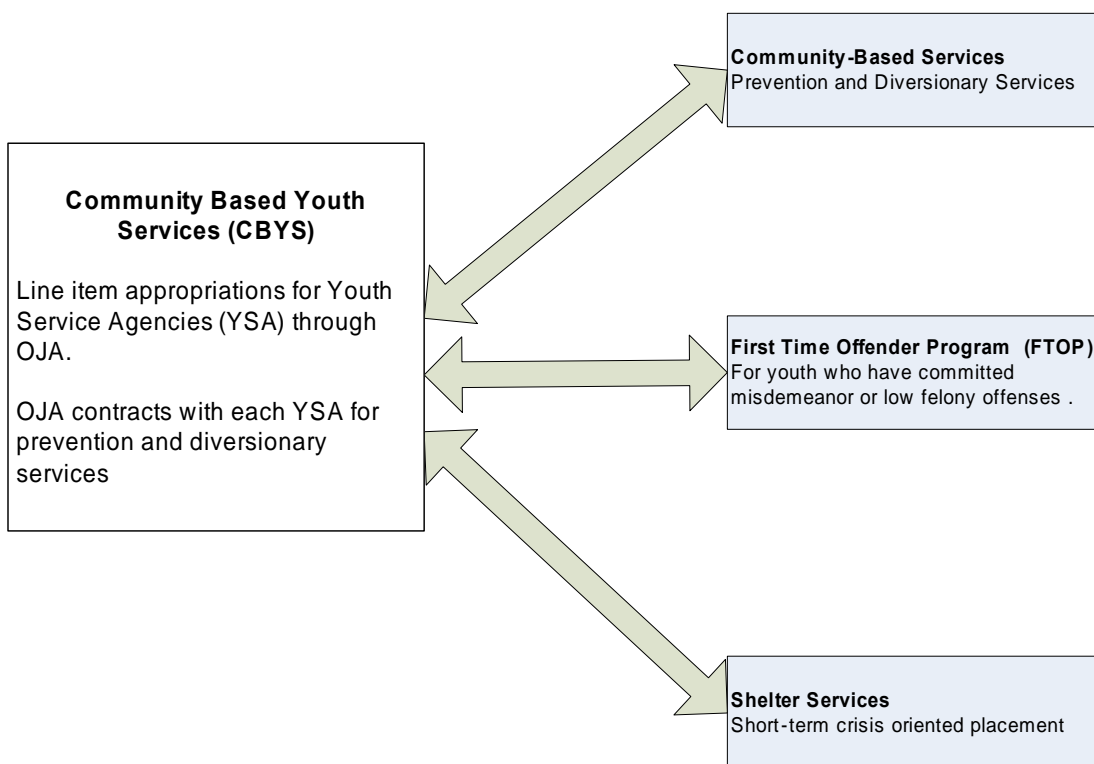
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**COMMUNITY-BASED
YOUTH SERVICE CONTRACTS (CBYS)**

MAIN ISSUES RELATED TO THESE CONTRACTS

- ✓ State statute apparently providing exclusive privileges to private non-profit corporations.
- ✓ Laws 2002, SB 1164 c. 433, § 2 exempts private non-profit corporations from a budget reduction.
- ✓ OJA uses reimbursement contracts although State law apparently requires fixed rate contracts.
- ✓ Using reimbursement contracts resulted in funding fluctuating operational costs.
- ✓ It is questionable whether some Youth Service Agencies would be capable of delivering the services without the funding from the OJA contract.
- ✓ Payments are remitted with limited documentation and accountability.
- ✓ No apparent rationale for determining the dollar amount of contracts.
- ✓ Contract performance is not measured and outcomes of programs are not evaluated.
- ✓ Reimbursements for questionable employee related expenses.
- ✓ Reimbursement for bonuses paid to one Youth Service Agency director for the purpose of making political contributions.
- ✓ Reimbursement for employee bonuses.
- ✓ A Youth Service Agency was reimbursed for lease payments made to an organization it created.

The questioned costs based on our review of the following contracts totaled \$733,155.99



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GENERAL FINDINGS

STATE APPROPRIATIONS FOR PRIVATE NON-PROFIT CORPORATIONS

State statute apparently provides exclusive privileges to private non-profit corporations.

The legislature makes an annual line item appropriation to Youth Service Agencies through the Office of Juvenile Affairs (OJA). This state appropriation is used as the funding source for OJA's Community Based Youth Services (CBYS) contracts with the Youth Service Agencies. The programs funded by this appropriation include Community-Based Services, First Time Offender, and Emergency Youth Shelters. Essentially, OJA is required to use specific private non-profit corporations designated by the legislature. According to **10 O.S. 2001, § 7302 - 3.6a**:

“Funds specifically appropriated to the Office of Juvenile Affairs for designated Youth Services Agency programs for both the Department of Juvenile Justice and the Department of Human Services shall be made available through contracts negotiated by the Department of Juvenile Justice, to organizations designated by the Department of Juvenile Justice as “Youth Service Agencies”. Such designations shall be granted based on need, as indicated in the State Plan for Services to Children and Youth and in accordance with criteria approved by the Board of Juvenile Affairs after full consideration of any recommendations of the Department of Human Services and the Oklahoma Association of Youth Services...”

This statute granting earmarked State appropriations to Youth Service Agencies appears to provide private non-profit corporations exclusive privileges, which appears to be prohibited by **Article V § 51 of the Constitution of Oklahoma**.

According to **Article V § 51 of the Constitution of Oklahoma**:

“The Legislature shall pass no law granting to any association, corporation, or individual any exclusive rights, privileges, or immunities within the State.”

Providing entitlement to specific contractors eliminates open competition between other service providers. Since OJA is required to contract with specified service providers, this mandate, essentially names Youth Service Agencies as a sole source provider. Contracts for professional services are exempt from the competitive bidding requirement; however, it appears OJA is not allowed the opportunity to compare services and programs offered by other organizations. A system in which organizations do not have to compete for funding to operate, could remove any incentive to improve services and enhance programs. It appears this promotes a system that is susceptible to waste, inefficiency, and abuse. With the absence of competition, it is questionable whether the best possible services, at the best cost, are provided to the youth and their families. It is not our intent to imply that a local Youth Service Agency may not be the best choice; we are suggesting that OJA should be allowed the opportunity to evaluate and select the best provider of services for youth.

RECOMMENDATION

We recommend the proper authorities review **10 O.S. 2001, § 7302-3.6a** to determine if this statute, which requires the Office of Juvenile Affairs to contract with Youth Service Agencies to

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provide youth programs, is contrary to **Article V § 51** of the **Constitution of Oklahoma**. At a minimum, this statutory requirement, which essentially names Youth Service Agencies as a sole source provider, should be evaluated to determine if Youth Service Agencies are the only entities that can provide the services. The primary objective should be to ensure the youth are receiving the best possible services. It appears this would be difficult to determine since no other organizations are allowed to offer their programs and services.

CONTRACTOR'S PROTECTED FROM BUDGET CUTS

Senate Bill exempts private non-profit corporations from a budget reduction.

During a time when the State experienced a revenue shortfall and there were extensive budget reductions among State agencies, the OJA Board approved an across-the-board budget reduction for all OJA programs, including Youth Service Agency appropriations of \$471,000.00. On May 20, 2002, the OJA Board voted to reduce

funding for Community Intervention Centers by \$206,000.00 and the First Offender Program by \$265,000.00.

Four days later, on May 24, 2002, Laws 2002, SB 1164 c. 433, § 2 (See Exhibit 1) was passed by the House and Senate. It contained language that prohibited OJA from reducing the amount appropriated for Youth Service Agencies. This was the only category that OJA was prohibited from reducing or reallocating forcing them to reduce other areas even more.

We did note that the CARS program funding was reduced as part of the \$1,885,094 total OJA budget reduction.

RECOMMENDATION

We recommend the Attorney General review this finding.

REIMBURSEMENT CONTRACTS FOR PROFESSIONAL SERVICES

OJA uses reimbursement contracts although State statute apparently requires fixed rate contracts.

In accordance with **10 O.S. 2001, § 7302-3.3**, OJA contracts with the 41 Youth Service Agencies on an annual basis to establish and maintain community-based prevention and diversionary youth service programs.

According to **10 O.S. 2001, § 7302-3.3**:

"The Department of Juvenile Justice...shall enter into agreements for the establishment and maintenance of community-based prevention and diversionary youth services programs which may include, but are not limited to: Emergency shelter, diagnosis, crisis intervention, counseling, group work, case supervision, job placement, alternative diversion programs for first-time offenders and for youth alleged or adjudicated to be in need of supervision, recruitment and training for volunteers, consultation, brokerage of services, agency coordination with emphasis on keeping youth with a high potential for delinquency out of the traditional juvenile justice process and community intervention centers."

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It appears these contracts are professional service contracts and subject to **74 O.S. 2001, § 85.41.G.1**, which requires rate-based contracts.

According to **74 O.S. 2001, § 85.41.G.1**:

“Contracts for professional services shall provide payment for services at a uniform rate throughout the duration of contract if the services throughout the duration of the contract are similar and consistent.”

The definition for professional services is set forth in **74 O.S. 2001, § 85.2 (25)** which provides in relevant part:

“Professional services means services which are predominantly mental or intellectual in character rather than physical or manual and which do not involve the supplying of products...”

We noted rate-based contracts are used for Community At Risk Services (CARS). The purpose of these contracts is to provide counseling and rehabilitation services. Payments related to these contracts are based on a fixed rate as opposed to the CBYS contracts, which are on a cost reimbursement basis. We question the CBYS contracts being on a reimbursement basis when apparently a fixed rate contract is required.

RECOMMENDATION

We recommend that OJA use fixed rate contracts for the CBYS contracts in accordance with **74 O.S. 2001, § 85.41.G.1**.

We recommend the Attorney General review this finding.

REIMBURSEMENT OF OPERATIONAL COSTS

Using reimbursement contracts resulted in funding fluctuating operational costs.

It appears the funding for these contracts for professional services is used to pay fluctuating operational costs for Youth Service Agencies. An example of one Youth Service Agency's fiscal year 2003 expenditures are as follows:

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Expense Category	Community-Based Amount	First Time Offender Amount	Shelter Amount
Contract labor	\$52,676.91	\$19,375.95	\$18,622.02
Salaries	222,740.92	47,422.52	113,271.03
Payroll taxes	16,937.07	3,863.07	9,675.22
Fringe benefits	37,273.14	7,846.69	13,315.65
Workers comp.	831.76	113.77	316.22
Equipment	4,343.28	2,630.02	5,259.99
Travel	10,446.67	1,210.59	3,466.78
Consultant	600.00		
Building	8,585.49	1,955.91	3,865.49
Utilities	6,461.98	1,865.15	3,897.03
Telephone	6,589.83	2,732.04	4,511.38
Maint/Repairs	9,486.66	3,493.97	10,139.08
Program supplies	1,198.72	32.63	14,546.12
Program recreation	2,084.73		4,118.82
Office/Postage	7,312.05	3,014.54	7,107.28
Print/Pub/Adv	5,840.95	1,901.84	3,036.75
Memberships	985.40	500.00	1,485.40
Accounting/Audit	408.81	185.17	382.37
Insurance	2550.26	829.17	2,841.42
Other	1115.84	414.00	539.45
Total	\$398,470.47	\$99,387.03	\$220,397.50

It appears that State funds, appropriated through OJA, are used to fund the operational costs of Youth Service Agencies. As a result, overhead expenses are paid as part of operating costs rather than paying costs that directly relate to the services benefiting the youth.

It appears that utilizing a fixed rate contract could significantly reduce the questions concerning the reimbursement of expenses. The majority of the concerns, we noted, appear to be the result of reimbursing costs based on limited documentation rather than payment for services based on a predetermined fixed rate. It appears payments based on a fixed rate contract, would pay for the services to the youth rather than reimbursement for costs that have an unknown impact on the services provided.

RECOMMENDATION

We recommend OJA use fixed rate contracts. Any allowances for indirect or administrative costs should be pre-determined by OJA at a fixed percentage similar to federal guidelines.

RESPONSIBLE SUPPLIERS

It appears some Youth Service Agencies would not be capable of delivering services without the funding provided through the OJA contracts.

These contracts reimburse operational costs that appear to enable the Youth Service Agencies to provide the services. We question whether some of these entities would have the capability to provide services without the funding received through these contracts. It appears the State contracts are a significant revenue source for some of the

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Agencies. For the Youth Service Agencies, we reviewed; the percentage of their total revenues received from three (3) OJA contracts are as follows:

Total Revenues	Revenues Received Through OJA Contracts (CBYS) (CARS) (CIC)	Percentage of Revenue from OJA Contracts
\$2,078,452	\$1,126,286	79%
\$10,753,667	\$1,204,053	11%
\$3,248,666	\$1,815,867	56%
\$1,024,736	\$477,409	46%
10,162,309	\$1,470,579	14%
\$2,661,179	\$771,212	29%
\$6,091,995	\$298,228	5%
\$2,585,580	\$862,598	33%

Some Youth Service Agencies also receive OJA contracts for the operation of group homes. The amounts of these contracts are not included in the revenues received from OJA contracts.

According to **Title 580 Chapter 15 Subchapter 2 of the DCS Guidelines**:

“Responsible supplier means a supplier who demonstrates capabilities in all respects to fully perform the requirements of a contract which may include, but not be limited to, finances, credit history, experience, integrity, perseverance, reliability, capacity, facilities and equipment which will ensure good faith performance.”

In addition, **74 O.S. 2001, § 7302-3.6a.A.1** provides:

“...The criteria for designation of Youth Services Agencies shall include but shall not be limited to:

1. Capability to deliver all or part of the compensable services enumerated in Section 7302-3.3 of Title 10 of the Oklahoma Statutes, if the Youth Services Agency is to provide such services...”

Further, Part V of the CBYS contract provides in relevant part:

“Contractor shall furnish the necessary facilities, materials, and qualified personnel to provide the following enumerated services which shall emphasize the prevention of delinquency and diversion of children and youth under the age of eighteen (18) years from further penetration into the juvenile justice system.”

It appears the contracts do not provide an adequate description of the costs that are reimbursable. Because of the ambiguity of the contracts it would be difficult to determine whether the costs submitted for reimbursement are allowed.

We question if the intent of **10 O.S. 2001, § 7302-3.3** and contract language is to provide the funds to enable the Youth Service Agencies to deliver the services or if it is assumed these Agencies have the resources in place to fulfill the terms of the contract. It appears there are

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Youth Service Agencies that would not be capable of delivering the services without the funding source created by the OJA contracts.

RECOMMENDATION

All contractors should have the necessary resources to provide services prior to the execution of the contract and obtaining the funding.

OJA should evaluate all contractors and ensure all Youth Service Agencies satisfy the criteria of a responsible supplier and meet contract guidelines.

We recommend the Attorney General review this finding.

LACK OF INTERNAL CONTROLS AND MONITORING

Payments are remitted to Youth Service Agencies with limited documentation and accountability.

OJA remits payments to the Youth Service Agencies on a monthly basis based on an expenditure summary. OJA does not require supporting documentation from Youth Service Agencies to substantiate any costs reported on the expenditure summaries. These expenditure reports do not appear to provide sufficient accountability

for the expenditure of State funds. From the expenditure summaries it cannot be determined, even minimal specifics such as:

- The identity of the employees whose salaries are being reimbursed.
- The specific fringe benefits that are being reimbursed (health insurance, vision care, dental etc).
- Description of contract labor.
- Description of costs included in building(s) category (rent, telephone and utilities).
- A description of advertising expenses being reimbursed.
- A description of items mailed to justify postage expenses.
- A description of memberships costs.
- A description of insurance being reimbursed.

There was no documentation provided indicating these contracts for professional services were monitored to ensure amounts reimbursed were reasonable and documentation was maintained to support expenses. Because of the lack of monitoring and documentation, funds were reimbursed with virtually no accountability. If the contracts were adequately monitored, it appears this would provide reasonable assurance that expenditures are in compliance with contract requirements. An OJA contract assessment or an OAYS peer review appears to be performed on the Youth Service Agencies on an annual basis. These assessments and reviews seem to focus on programmatic issues rather than contract requirements. These peer reviews and assessments do not appear to satisfy the requirements of contract monitoring and compliance with the contracts.

As required by **74 O.S. 2001, § 85.41.D:**

“D. A state agency shall administer, monitor and audit the professional services contract.”

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There is an apparent lack of internal controls since these peer reviews and contract assessments do not appear to address significant contract requirements. Specific terms contained in the contracts which do not appear to be addressed by the peer reviews and contract assessments:

- Do not appear to provide assurance that monthly expenditure reports contain adequate supporting documentation whether costs reimbursed are appropriate in accordance with the terms of the contract.
- Whether prior approval was obtained by OJA for any budget adjustments for Personnel, Travel and Equipment.
- Whether OJA approval was obtained for any subcontracted services.
- Whether an annual independent audit was conducted for organizations receiving \$50,000.00 in State funds.
- Whether a minimum of \$100,000.00 in automobile liability insurance was maintained on all automobiles used to transport clients.

RECOMMENDATION

We recommend fixed rate contracts. However if OJA continues using reimbursement contracts then we recommend OJA require additional information to substantiate expenses claimed for reimbursement. Such additional documentation should include, at a minimum, reports or ledgers that detail the expense totals for each budget category. The OJA employee assigned to review supporting documentation for expenses claimed for reimbursement should be trained to recognize costs, which are not in compliance with contract provisions.

During the course of our audit, it appears OJA began monitoring some Youth Service Agency contracts. We recommend these contracts be monitored on an annual basis as required by **74 O.S. 2001, § 85.41.D.**

OJA should evaluate the necessity of performing the contract assessments. It appears the primary function of these assessments is to ensure the Youth Service Agencies are in compliance with OAYS standards. These reports, in conjunction with the OAYS peer reviews, appear to focus on programmatic compliance rather than financial. These reports appear to be an OAYS function and do not appear to satisfy the statutory requirement for monitoring contracts. It appears OJA should utilize their resources on monitoring the contacts to ensure that expenses claimed for reimbursement contain adequate supporting documentation and comply with contract terms and statutory provisions.

CONTRACT AMOUNTS

<p>There is no apparent rationale for determining the dollar amount of contracts.</p>
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It appears contract amounts have not changed for several years. It is unknown how the initial contract amounts were determined. It appears the Youth Service Agencies receive the same amount from year to year and budgets are prepared accordingly, rather than based on needs. It appears there is no documentation indicating that any type of proposal is prepared describing programs which will be provided and the estimated cost to provide such programs. There appears to be no provision in place that allows for changes of circumstances, such as increases (decreases) in number of youths, increases or (decreases) in staff, increases (decreases) in programs provided, etc. Contract amounts are based on the amount provided in the prior year. An interview with a

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representative from OAYS indicated the needs were assessed in the 1980s. He also stated the amounts received by the Youth Services Agencies were political. As an example, if the Agency wanted a shelter, they asked their legislator.

RECOMMENDATION

We recommend the CBYS contracts be based on documented need and not on the amount that was received in the prior year. OJA should require the contractors submit a proposal each year detailing the specific programs that will be provided and a detail of the estimated costs to provide the programs and services. OJA should assign staff that will evaluate the proposals and determine if programs and services are consistent with the intended purpose of the contract. Under the current method, OJA staff has limited knowledge of what programs and services are provided by the Youth Service Agencies from CBYS contract funds.

OUTCOMES AND PERFORMANCE MEASURES

Contractor performance is not measured and outcomes are not evaluated to verify programs are successful.

It appears that there is no type of performance measurement performed by OJA to ensure an adequate number of juveniles are served to justify the cost of a particular program or service. It also appears there are no procedures performed by OJA in measuring outcomes of services or programs provided. For example, the recidivism rate subsequent to a service or program provided and number of youth served.

It appears this information is available through the Juvenile On-Line Tracking System (JOLTS).

Under the terms of the contract, Youth Service Agencies are required to provide an annual report upon request of OJA. We were unable to locate any annual reports at OJA, indicating these reports are not requested. These are the reports that describe the programs provided and, in many instances, provide outcome information.

In addition, the contracts do not appear to adequately describe the services or programs to be provided. Therefore, it does not appear that OJA provides any direction to the Youth Service Agencies regarding the types of services and programs to be provided or a description of the targeted youth.

Part V, Section B of the CBYS contract provides:

"Contractor shall provide Community-Based prevention and diversion services... Contractor shall provide consistent intake process of screening, assessment, referral and service planning for all referrals received."

Because of the vague language in the contracts and the lack of program descriptions from Youth Service Agencies, it would be difficult for OJA to ascertain if the desired contracted services are provided.

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RECOMMENDATION

We recommend that OJA staff evaluate the outcomes by reviewing annual reports and information on JOLTS and conducting their own evaluations to ensure programs and services provided to youth are effective and appropriate.

WIDESPREAD COSTS ARE QUESTIONABLE

OJA is reimbursing costs related to employees of Youth Service Agencies (private contractors), which appear to be contrary to contract provisions.

Youth Service Agencies are being reimbursed for their employee related expenses. These expenses, which are a significant portion of the Youth Service Agency budgets, appear to be contrary to contract terms. We question the following major type of expenses reimbursed by OJA:

Fringe benefits- It is questionable whether OJA should be responsible for paying the fringe benefits for a contractor's employees. Although State (OJA) employees are eligible for benefits (health, dental, life, vision, etc.) it appears contract language prohibits the reimbursement of fringe benefits for employees of a contractor since they are not State employees.

According to Part III Section G of the contract:

"The Contract does not create an employment relationship. Contractor's employees shall not be considered employees of OJA for any purpose and as such shall not be eligible for benefits accruing to OJA employees."

- **Payroll Taxes and Worker's Compensation Insurance-** The practice of reimbursing these expenses is also questionable. Part IV Section P of the contract provides:

"Contractor shall be responsible for paying all current and applicable city, county, state and federal taxes...licenses and assessments due, including...those required by...Worker's Compensation Insurance Laws."

- **OAYS Dues** - It appears to be common practice for Youth Service Agencies to claim for reimbursement a portion of their OAYS dues and certification fees. It appears the intent of the CBYS contract is to reimburse expenses that relate to the services provided. It doesn't appear the reimbursement of OAYS dues and fees are part of the services provided. When signing the monthly expense claims both the Youth Service Agency and OJA are attesting the amount requested for reimbursement is incurred in the provision of services. OJA reimbursing expenses for OAYS dues could be considered a gift. OJA appears to be precluded from giving gifts by **Article X § 15A of the Constitution of Oklahoma**:

"A. Except as provided by this section, the credit of the State shall not be given, pledged, or loaned to any individual, company, corporation, or association, municipality, or political subdivision of the State, nor shall the State become an owner or stockholder in, or make donation by gift...to any company, association, or corporation."

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OJA contracts with Youth Service Agencies for the purpose establishing and maintaining community based prevention and diversionary youth services programs. It appears OJA is contracting with these Agencies to provide a service. We question if these type expenses are part of the services to be provided and whether these costs are reimbursable under the contract.

We did note that budgets submitted to OJA contain provisions for the payment of fringe benefits, payroll taxes, worker's compensation insurance, and dues. We noted that individuals involved in preparing and approving contracts are not aware of the types of expenses submitted for reimbursement. It does not appear the OJA employees responsible for approving the reimbursement claims have been adequately trained to determine if expenses claimed are allowable under the contract terms.

RECOMMENDATION

We recommend OJA implement procedures to ensure employees are adequately trained.

We recommend the Attorney General review this finding.

CONTRACT REVIEW

Scope: We reviewed eight of the forty-one fiscal year 2003 CBYS contracts.

Each of the forty-one Youth Service Agencies are provided an annual Community Based Youth Services (CBYS) contract. We selected eight of the forty-one CBYS contracts to review for contract compliance and to ensure expenses claimed for reimbursement are supported with adequate documentation. We selected a sample of expenses claimed

for reimbursement from the monthly reports and traced the amounts to supporting documentation maintained at the individual Youth Service Agencies. This procedure was performed at the eight Youth Service Agencies that were selected for the review of the CBYS contracts. The following findings are the result of our review of expenses related to eight CBYS contracts for the fiscal year 2002-03.

CONTRACT Z003969 IN THE AMOUNT OF \$962,698.00

Reimbursed for bonuses paid to Executive Director for the purpose of political contributions

While reviewing payroll expenses, we noted amounts paid to the Executive Director for the purpose of making political contributions to State Legislators.

Although, Youth Service Agencies are not provided a direct State appropriation, the funding source for these contracts is nevertheless State funds.

Donna Smart
From: [REDACTED]
Sent: Thursday, November 20, 2003 7:37 PM
To: [REDACTED]
Cc: [REDACTED]
Subject: Please prepare a check to me...

in the amount of \$2,500 (after taxes) for political contributions. If you can do it Friday, I would appreciate it as I want to make a few contributions before surgery.

Thanks!
[REDACTED]

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Because of the nature of these expenses, we obtained documentation for additional years.

Check Date	Check Number	Amount
August 31, 2001	24862	\$2,500.00
August 19, 2002	42280	2,500.00
April 30, 2003	44433	2,500.00
December 5, 2003	73136	2,500.00
Total		\$10,000.00

Part III Section D of the contract provides:

"Contractor shall comply with all applicable state and federal Laws including any regulations and rulings promulgated by any governmental authorities and which are applicable to the Contract. Observance of and compliance with these requirements shall be the sole responsibility of Contractor, without reliance on or direction by OJA."

[REDACTED]

From: [REDACTED]
Sent: Monday, August 12, 2002 8:03 PM
To: [REDACTED]
Subject: Legislative Dollars

Guys,
While I am away, I would appreciate it if you would do the magic you two do to facilitate the \$2,500 "payroll check" you prepare for me each year in July or August.

Thanks,
[REDACTED]

Based on the terms of the contract it appears Youth Service Agencies are required to comply with State statutes. The use of State funds in this matter appears to be prohibited by **21 O.S. 2001, § 187.1.B.1:**

"B. It shall be prohibited for a campaign contribution to be made to a particular candidate or committee through an intermediary or conduit for the purpose of:
1. Evading requirements of effective Rules of the Ethics Commission promulgated pursuant to Article XXIX of the Oklahoma Constitution or laws relating to the reporting of contributions and expenditures..."

In addition, **21 O.S. 2001, §187.2.A** provides:

"A. No corporation shall contribute to any campaign fund of any party committee of this state or to any other person for the benefit of such party committee or its candidates, nor shall it, through any agent, officer, representative, employee, attorney, or any other person or persons, so contribute. Nor shall any such corporation, directly or through such other person, make any loan of money or anything of value, or give furnish any privilege, favor, or other thing of value to any party committee, or to any representative of a party committee, or to any person for it, or to any candidate upon the ticket of any political party."

We question the \$10,000.00 of State funds that OJA used to reimburse political contributions made by the Executive Director of this Youth Service Agency. This non-reimbursable expense would have likely been disallowed had OJA reviewed supporting documentation or monitored the contract.

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PROGRAM		FUNDING SOURCE	BUDGET CATEGORY	
STOCK NUMBER	QUANTITY	DESCRIPTION	UNIT PRICE	AMOUNT
		Money for Political Contributions		
		PAID		
ACCOUNT #	259	PROGRAM	FUNDING SOURCE	
DATE		SIGNATURE		
			SUB TOTAL	
				\$2,500.00
EXPLANATION:				

Christmas Bonuses Paid to Employees

Expenses reimbursed that are related to the "Salaries" budget category included bonuses paid to employees. Essentially, State funds were used to pay bonuses for a contractor's employees. Of the \$22,003.03 total for employee bonuses, \$17,834.18 was paid with CBYS funds.

Administration	\$14,291.18
Shelter	2,414.40
First Time Offender Program	801.42
Community-Based	327.18
Total	\$17,834.18

The Executive Director of this Youth Service Agency indicated that giving bonuses to employees is acceptable if budgeted funds are available. However, we question this expense since it is not part of the regular payroll and the payment of bonuses does not appear to be a cost that was incurred in the provision of services. Further, it appears that OJA's reimbursement of employee bonuses could be construed as gifts.

The reimbursement for gifts appears to be prohibited by **Article X § 15A** of the **Constitution of Oklahoma**, which provides:

"A. Except as provided by this section, the credit of the State shall not be given, pledged, or loaned to any individual, company, corporation, or association, municipality, or political subdivision of the State, nor shall the State become an owner or stockholder in, nor make donation by gift...to any company, association, or corporation."

We question the entire amount of \$17,834.18 paid for employee bonuses.

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Expenses Not Related To Providing Community-Based Services

Payment of Administration Expenses

There appears to be a considerable amount of payroll expenses, reimbursed by OJA, for administrative employees who do not directly provide services to youth.

Budget Category	Total Amount Reimbursed	Portion of Total Expense For Administration Payroll Expenses	Percentage of Total Payroll Expenses Used For Administration Payroll
Salaries	\$542,634.00	\$216,434.74	40%
Payroll Taxes	\$44,460.00	\$16,859.55	38%
Fringe Benefits	\$76,423.00	\$18,981.91	25%
Worker's Comp.	\$2,231.00	\$667.27	30%

We question whether the contract allows reimbursement for expenses that do not relate to the programs or do not provide a direct benefit to the services. Although, there is little guidance by OJA on allocating costs, the percentage of payroll costs for administrative employees appears excessive.

Administrative Travel Expenses

While reviewing expenses we noted that 100% of the travel expenses incurred by administration were paid with CBYS funds.

The Executive Director is provided a monthly travel allowance of \$300.00, which is paid with CBYS funds. This would amount to \$3,600.00 a year. The reimbursement for a travel allowance is questionable since it does not appear to be allowed by contract.

According to 74 **O.S. 2001, § 500.9A**:

"Per diem payments, travel and other actual and necessary expenses may be paid if same is provided for in a contract or grant."

Questionable Allocation Methods

We noted expenses, such as OAYS dues of \$14,978.00, \$6,300.00 for rent, dinner and refreshments for the Board, were initially paid with CBYS funds. At the end of the fiscal year expenses are allocated to other programs. It appears that funds related to the CBYS contract are used to finance the operation of the Youth Service Agency until revenues from other sources are received. This practice may be contrary to **Article X § 15A** of the **Constitution of Oklahoma**, which provides:

"A. Except as provided by this section, the credit of the State shall not be given, pledged, or loaned to any individual, company, corporation, or association, municipality, or political subdivision of the State, nor shall the State become an owner or stockholder in, nor make donation by gift...to any company, association, or corporation."

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Questioned Employee Related Expenses

The total questioned employee expenses are as follows:

Program	Fringe Benefits	Payroll Taxes	Worker's Comp. Insurance	Total
Community-Based	\$55,823.00	\$31,412.00	\$1,032.00	\$88,267.00
FTOP	11,162.00	6,689.00	495.00	18,346.00
Shelter	9,438.00	6,359.00	704.00	16,501.00
Total	\$76,423.00	\$44,460.00	\$2,231.00	\$123,114.00

REIMBURSEMENT OF MORTGAGE PAYMENTS

Youth Service Agency Formed Not for Profit Corporation

On February 26, 1992, Youth Services of Oklahoma County (YSOC) formed Oklahoma Youth Services Holding Company (OYSHC), a not for profit corporation. The purpose of OYSHC is to hold title to property and remit income to YSOC. YSOC and OYSHC management and directors are identical.

To simplify the following information Youth Services of Oklahoma County will be referred as "the Agency", Oklahoma Youth Services Holding Company will be referred as "HC" and the Office of Juvenile Affairs will be referred as "State".

Youth Service Agency leases building from organization it created

A lease agreement was executed between HC and the Agency requiring lease payments of \$6,300.00 a month. The building the Agency is leasing from HC also houses Oklahoma Association of Youth Services. There is also a lease agreement between HC and Oklahoma Association of Youth Services that provides for an annual lease amount of \$36,000 at a rate of \$3,000.00 a month.

The Agency was reimbursed for their lease payments to HC through reimbursement claims submitted to the State through the CBYS and CIC contracts. In fiscal year 2002-03, the State reimbursed the Agency lease payments totaling \$66,852.96 of their total lease amount of \$75,600.00 paid to HC. Essentially, the State is reimbursing the Agency mortgage payments for a building they own.

During fiscal year 2002-03 the Oklahoma Association of Youth Services was reimbursed, through their annual contract with the State, lease payments paid to HC totaling \$21,450.00.

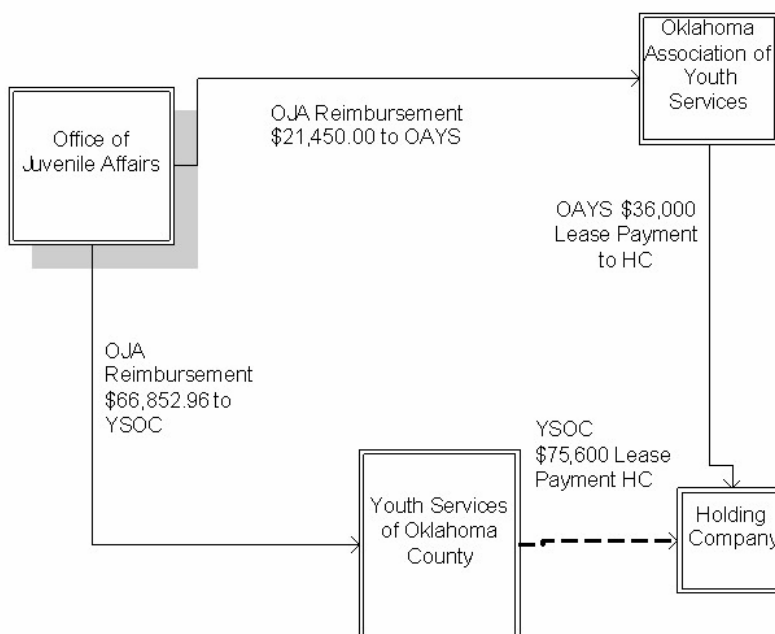
Issues related to reimbursement of mortgage payments

These payments were reimbursed under the "Building" budget category. State personnel had no knowledge that the Agency had a lease agreement with a corporation they formed and the amounts reimbursed were ultimately used to make mortgage payments. The Agency was being reimbursed for lease payments paid to an organization it created. This matter raises some questions of a legal nature.

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- The State does reimburse the Agency for lease payments pursuant to an agreement with HC, which holds title to the building and appears to be responsible for the mortgage. Since the Agency formed HC and both these entities share the same management and directors it appears HC is essentially the Agency. We question the legality of the State reimbursing the Agency for, in essence, purchase of their building. This could create a situation in which the State reimburses the Agency for an expense that is not incurred. After the mortgage is paid in full, HC could still lease the property to the Agency. The Agency could claim the lease payments for reimbursement since the State would not have any knowledge that the mortgage is paid in full by HC. In effect, the Agency, being the same organization as HC, could eventually be reimbursed for mortgage payments they no longer make.

We obtained additional documentation on a similar matter concerning another Youth Service Agency. This was a situation in which OJA received a letter from this Youth Service Agency requesting a release of any restrictions to enable them to sell a building. In this case, this Youth Service Agency had also claimed reimbursement for their mortgage payments.



RECOMMENDATION

OJA should consult legal counsel and make a determination of the appropriateness of OJA reimbursing mortgage payments.

The questioned costs related to our review of supporting documentation for this contract totaled \$154,548.18.

We recommend the Attorney General review this finding.

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CONTRACT Z001469 IN THE AMOUNT OF \$620,990.00

Questionable Costs That Were Reimbursed

Bonuses: Salary expenses claimed for reimbursement included \$11,600.00 for bonuses paid to eight employees.

OAYS Dues: Expenses related to "Memberships" budget category included the reimbursement of \$3,316.00, which is a portion of the \$6,148.00 in OAYS dues.

Payroll Related Expenses: As previously noted, language in the contract appears to prohibit the reimbursement of the following employee related expenses:

Program	Fringe Benefits	Payroll Taxes	Worker's Comp. Insurance	Total
Community-Based	\$30,583.65	\$18,635.15	\$1,476.00	\$50,694.80
FTOP	4,214.88	5,768.95	224.00	10,207.83
Shelter	14,328.82	9,305.69	3,500.00	27,134.51
Total	\$49,127.35	\$33,709.79	\$5,200.00	\$88,037.14

Depreciation Expense: In June 2003 costs reimbursed that were related to "Building" budget category included \$2,459.69 for depreciation expense. We question whether the contract allows reimbursement for depreciation.

The questioned costs related to our review of supporting documentation for this contract totaled \$105,412.83.

CONTRACT Z003711 IN THE AMOUNT OF \$888,410.00

Questionable Employee Related Expenses

As previously noted, the language in the contract appears to prohibit the reimbursement of the following employee related expenses:

Program	Fringe Benefits	Payroll Taxes	Worker's Comp. Insurance	Total
Community-Based	\$22,115.00	\$14,966.00	\$258.00	\$37,339.00
FTOP	12,663.00	7,920.00	51.00	20,634.00
Shelter	27,798.00	18,313.00	40.00	46,151.00
Total	\$62,576.00	\$41,199.00	\$349.00	\$104,124.00

The questioned costs related to our review of supporting documentation for this contract totaled \$104,124.00.

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CONTRACT Z001922 IN THE AMOUNT OF \$456,549.00

Questionable Costs That Were Reimbursed

Employee Bonuses: The December claim for reimbursement included \$2,124.00 for employee Christmas bonuses and the May 2003 claim included a performance bonus of \$634.00. Both of these amounts were included in the "Salaries" expenditure category.

OAYS Dues: The "Memberships" expenditure category included \$3,721.00 in OAYS dues and \$137.50 for Agency Certification Fees.

Depreciation Expense: Expenses related to the "Other" expenditure category included costs for depreciation totaling \$2,794.72.

Employee Related Expenses: As previously noted, language in the contract appears to prohibit the reimbursement of the following employee related expenses:

Program	Fringe Benefits	Payroll Taxes	Worker's Comp. Insurance	Total
Outreach	\$6,853.58	\$5,673.16	\$412.90	\$12,939.64
FTOP	9,057.34	6,707.00	464.27	16,228.61
Shelter	16,124.30	12,286.85	4,944.33	33,355.48
Total	\$32,035.22	\$24,667.01	\$5,821.50	\$62,523.73

Possible double payment of Indirect Costs: The monthly reimbursement claims included indirect cost charges totaling \$37,125.78. However, it appears amounts claimed for each budget category included indirect costs. Therefore, it appears OJA was double billed for this Youth Service Agency's indirect cost.

The questioned costs related to our review of supporting documentation for this contract totaled \$108,923.23.

CONTRACT Z001479 IN THE AMOUNT OF \$591,079.00

Questionable Costs That Were Reimbursed

Employee Bonuses: During fiscal year 2002-03 CBYS funds were used to reimburse the payment of bonuses to the Executive Director and employees totaling \$9,080.75. Bonuses were also reimbursed from Early Intervention and CIC funds.

Employee Benefits: As previously noted, language in the contract appears to prohibit the reimbursement of the following employee related expenses:

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Program	Fringe Benefits	Payroll Taxes	Worker's Comp. Insurance	Total
Community Based	\$6,089.00	\$6,289.00	\$780.00	\$13,158.00
FTOP	4,345.00	4,744.00	835.26	9,924.26
Shelter	31,872.31	23,609.59	1,972.90	57,454.80
Total	\$42,306.31	\$34,642.59	\$3,588.16	\$80,537.06

The questioned costs related to our review of supporting documentation for this contract totaled \$89,617.81.

CONTRACT Z006237 IN THE AMOUNT OF \$718,255.00

Questionable Costs That Were Reimbursed

Employee Benefits: As previously noted, language in the contract appears to prohibit the reimbursement of the following employee related expenses.

Program	Fringe Benefits	Payroll Taxes	Worker's Comp. Insurance	Total
Community Based	\$37,273.14	\$16,937.07	\$831.76	\$55,041.97
FTOP	7,846.69	3,863.07	113.77	11,823.53
Shelter	13,315.65	9,675.22	316.22	23,307.09
Total	\$58,435.48	\$30,475.36	\$1,261.75	\$90,172.59

OAYS Dues: The "Memberships" expenditure category included \$2,970.80 in OAYS dues which includes \$250.00 for CARF Certification.

The questioned costs related to our review of supporting documentation for this contract totaled \$93,143.39

CONTRACT Z001923 IN THE AMOUNT OF \$425,394.00

Questionable Costs That Were Reimbursed

Employee related expenses: As previously noted, language in the contract appears to prohibit the reimbursement of the following employee related expenses.

Program	Fringe Benefits	Payroll Taxes	Worker's Comp. Insurance	Total
Community Based	\$5,361.20	\$3,033.81	\$315.90	\$8,710.91
FTOP	5,773.60	3,267.18	340.20	9,380.98
Shelter	30,105.20	17,036.01	1,773.90	48,915.11
Total	\$41,240.00	\$23,337.00	\$2,430.00	\$67,007.00

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Administrative Costs

CBYS funds were used to reimburse \$27,288.61 (56%) of the executive director's salary, \$12,967.58 (63%) of the administrative assistant's salary and \$17,490.02 (61%) of the business manager's salary. CBYS funds were used to reimburse 100% of the \$2,000.00 in janitorial expenses and \$675.00 (100%) for grounds care. According to the budget, CBYS funds were used to reimburse 42% of expenses such as telephone, office supplies, utilities, etc. Although there is little direction from OJA on how to allocate costs, these percentages billed to CBYS seem excessive.

The questioned costs related to our review of supporting documentation for this contract totaled \$67,007.00.

CONTRACT Z001472 IN THE AMOUNT OF \$167,139.00

Questioned costs that were reimbursed

Employee related expenses: As previously noted, language in the contract appears to prohibit the reimbursement of the following employee related expenses.

Program	Fringe Benefits	Payroll Taxes	Worker's Comp. Insurance	Total
Community Based	\$1,419.77	\$5,071.75	\$273.07	\$6,764.59
FTOP	722.31	2,580.25	138.93	3,441.49
Total	\$2,142.08	\$7,652.00	\$412.00	\$10,206.08

Inadequate documentation for expenses

- \$22.50 for movie tickets (no documentation indicating purpose).
- \$100.00 for a Christmas dance (no documentation indicating purpose).
- \$50.97 expense for pizza, the cash register tape indicates \$0.00 was due and the employee was given a 100% discount

The questioned costs related to our review of supporting documentation for this contract totaled \$10,379.55

RECOMMENDATION

We recommend any questioned costs related to the CBYS contracts be evaluated and appropriate action be taken. Youth Service Agencies are contracted to provide prevention and diversion services. It appears some Youth Service Agencies have a surplus of funds enabling them to pay expenses, such as Christmas bonuses. Therefore, we recommend any funds remaining after services are provided, be returned to OJA. OJA could then reallocate the surplus funds to a Youth Service Agency in need of additional funds.

The findings related to our review of CBYS contracts appeared to be the result of using reimbursement based contracts. The use of fixed rate contracts should significantly reduce the use of State funds for the payment of expenses that we questioned during our review or paying costs that are not a part of the services provided. As previously noted, we recommend the use of fixed rate contracts in accordance with **74 O.S. 2001, § 85.41.G.1.**

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We recommend the Attorney General review these findings to determine what action, if any, is necessary.

CONTRIBUTING FACTORS FOR CBYS FINDINGS

Since expenses associated with these contracts are reimbursed based on summaries, OJA personnel do not have sufficient information to determine the appropriateness of the expenses included in each budget category. Because of the lack of knowledge, OJA personnel do not have a means of knowing the specific costs included within each category, such as Christmas bonuses being included in the salaries total. This issue, along with the lack of contract monitoring contributed to questionable expenses reimbursed with State funds, which were not detected by OJA.

OVERVIEW

The general purpose of the CBYS contracts is to provide treatment or services to at-risk youth. The intent behind the CBYS funding appears to concentrate on low-risk youth and treatment seems to focus on preventing youth from entering the juvenile justice system.

Based on the amount of State funds used to actually provide the services, we question if the services provided for the treatment of the at-risk youth justify the amount of State funds paying for these services. In other words, we question whether the cost outweighs the benefit and if the youth are receiving the services they may need.

It appears the general purpose of CBYS contracts is to provide prevention and diversionary services to youth. In regards to these contracts, we question whether the amount of services that can be provided, after overhead costs are paid, is enough to justify the total cost. It appears the services that can be provided through the CBYS contracts are significantly reduced because of the amount that is used to pay overhead expenses. Although OJA may be ultimately responsible for the expenditure of these funds, it is apparent this funding is provided to Youth Service Agencies with virtually no oversight and accountability. In addition, it appears OJA staff has virtually no knowledge of the services or programs provided from the use of these funds. There is an apparent lack of oversight from OJA staff regarding the use of these funds or any results achieved from programs being funded. Because of the lack of documentation maintained at OJA it would be difficult to measure success or failure as a result of the funds provided.

The cause of this disregard for the use of State funds appears to be result of a culture within OJA that perceives OAYS as a political power not to be toyed with. The perception by OJA staff that OAYS may have a close relationship with legislators may have created a situation in which OJA staff is apprehensive in questioning the activities of OAYS and its member Youth Service Agencies. From interviews and conversations with OJA staff, it appears that the attitude towards OAYS is one of mistrust, fear and resentment.

We found no prerequisite that Youth Service Agencies are required to be a member of OAYS in order to be certified by OJA. However, it does appear that only Youth Service Agencies that are members of OAYS have received OJA contracts.

OAYS appears to function as a lobbying organization for its member Youth Service Agencies and apparently through this process, acquires funding for itself and the Youth Service Agencies.

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Youth service agencies financially support these lobbying efforts. in acquiring the OJA Youth Service Agencies financially support these lobbying efforts, along with the technical support services OAYS provides to its members, through annual membership dues. The membership dues each Youth Service Agency pays are based on a set percentage of the amount received from the OJA contracts. In fiscal year 2002-03, the forty-one Youth Service Agencies paid a total of \$178,588.00 in annual membership dues.

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**COMMUNITY AT RISK SERVICES
(CARS) CONTRACTS**

MAIN ISSUES RELATED TO THESE CONTRACTS

- ✓ Lack of contract monitoring.
- ✓ Questionable whether youth are receiving the services they may need.
- ✓ Progress notes do not support the number of hours billed.
- ✓ Client signatures on service verification reports were inconsistent.
- ✓ Instances in which Medicaid eligibility was not determined.
- ✓ Treatment was provided after the time frame noted on the referral or treatment plan had expired.
- ✓ OJA was billed for services in excess of the hours authorized by the treatment plan
- ✓ Missing client files.
- ✓ OJA was billed for hours that were not supported by service verifications.
- ✓ Treatment plans were incomplete.
- ✓ Questionable billing methods by one Youth Service Agency.
- ✓ An apparent lack of oversight from OJA staff in ensuring clients receive the services they may need.

The questioned costs based on our review of the following contracts totaled \$22,190.89

CONTRACT MONITORING

Contract monitoring is required for professional services contracts in accordance with **74 O.S. 2001, § 85.41.D**, previously cited.

Contract assessments are performed for these contracts; however, the assessments do not appear to provide an adequate review for contract compliance. There are no apparent procedures performed to verify the accuracy of the amounts billed to OJA for services rendered. It is questionable whether these assessments could be classified as contract monitoring reports.

CONTRACT REVIEW

The contracts between the Youth Service Agencies and OJA are based on a fee for service arrangement. Once services are provided, Youth Service Agency personnel enter the information electronically on the Juvenile On-Line Tracking System (JOLTS). Agency personnel then prepare a monthly detailed CARS services claim report that is submitted to OJA for payment. The fee guidelines are set forth in the CARS contracts.

We obtained billings for a three-month period related to six CARS contracts. We traced a sample of services that were billed to client files located at six Youth Service Agencies. We reviewed these files to determine whether billings are accurate and services are in accordance with contract provisions.

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We reviewed for the following contract requirements:

FINDINGS RELATED TO OUR REVIEW OF SIX CARS CONTRACTS.
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- An OJA worker referred the client and the file contains a referral form.
- The client's file contained a treatment plan.
- Services are provided within the timeframe noted on the referral form and treatment plan.
- The client's file contains progress notes related to the treatment plan.
- The treatment outlined in the progress notes is consistent with the treatment plan located in the client's file.
- Treatment provided based on the progress notes is consistent with the treatment billed OJA.
- The file contains a service verification form that is signed by the client.

To further explain the steps to fulfill the contract requirements:

- ✓ The OJA Juvenile Services Unit refers a client to a Youth Service Agency for treatment. The referral contains information about the client; risk assessment (low, medium, high); and issues, goals, objectives, etc., pertinent to the development of the treatment plan. The referral includes the estimated length of service depending on the risk assessment. If the client is assessed at low risk treatment is 3 months, medium risk is 6 months and high risk is 9 months. A Juvenile Services Unit employee authorizes the services and signs the referral (See Exhibit 2).
- ✓ Youth Services develops a treatment plan that is approved by the Juvenile Services Unit.
- ✓ Treatment is provided to the client based on the approved treatment plan and progress notes are prepared to describe the treatment provided.

CONTRACT Z010009 IN THE AMOUNT OF \$582,169.00

We selected seventy-five charges for services on the March, April and May 2003 CARS billings. Based on the procedures performed, the following issues were noted:

- There was an instance in which OJA was billed for nine hours of service and service verification indicates eight hours of services were provided.
- There was one instance in which OJA was billed 5.34 hours of rehabilitation services and the service verification indicates 5 hours of services were provided.
- There was one instance in which OJA was billed 12.5 hours of rehabilitation services and the service verification indicated 12 hours of services were provided.
- There was one instance in which OJA was billed 14 hours of rehabilitation services and the service verification indicated 10 hours of services were provided.
- There was one instance in which there was not a service verification for 1 hour of rehabilitation services billed to OJA.
- The signatures of a client on service verifications were inconsistent.
- There was one instance in which OJA was billed the same 1.5 hours of service in May and again in July.

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The questioned costs related to our review of supporting documentation for this contract totaled \$414.66.

BILLING METHODS

Hourly rates are multiplied.

Youth Service Agencies bill OJA for CARS on a fee for service basis. The fee schedule is detailed in each CARS contract. Documentation we reviewed for this Youth Service Agency indicated it is common practice for paraprofessional services be conducted in a group setting. OJA is billed on a per hour basis for each client in the group. Therefore, the hourly rate is multiplied by the number of clients in the group. This practice creates situations in which OJA is billed in excess of 24 hours in one day for one worker (See Exhibit 3). The following example shows the daily hours billed by one worker for one Youth Service Agency during a three-month period. There is no contract provision for this method of billing.

The following table is an example of the hours billed by one worker for one day:

SERVICE DATE	SERVICE PROVIDED	HOURS BILLED	AMOUNT BILLED
March 10, 2003	Paraprofessional	43	\$645.00
March 19, 2003	Paraprofessional	74	\$1,110.00
March 27, 2003	Paraprofessional	42	\$630.00
March 31, 2003	Paraprofessional	47	\$705.00
April 14, 2003	Paraprofessional	44	\$660.00
May 12, 2003	Paraprofessional	40	\$600.00
May 21, 2003	Paraprofessional	62	\$930.00
May 24, 2003	Paraprofessional	44	\$660.00
May 28, 2003	Paraprofessional	55	\$825.00
May 29, 2003	Paraprofessional	44	\$660.00

CONTRACT Z009175 IN THE AMOUNT OF \$582,169.00

We selected seventy-five charges for services on the March, April and May 2003 CARS billings. Based on the procedures performed, the following issues were noted:

- There were three instances in which the Medicaid eligibility of the client was not verified.
- In one client's file, the signatures of a JSU worker were not consistent.
- The signatures of a client on service verifications were inconsistent.
- OJA was billed 21 hours of services while the treatment plan indicated 20 hours of services.

The questioned costs related to our review of supporting documentation for this contract totaled \$362.56.

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CONTRACT Z008001 IN THE AMOUNT OF \$312,974.00

We selected seventy-five charges for services on the March, April and May 2003 CARS billings. Based on the procedures performed, the following issues were noted:

- There was one instance in which OJA was billed 16 units of services and service verification forms supported only 12 units.
- There was one instance in which OJA was billed 17 hours of counseling and there was documentation for 13 hours
- There was one instance in which there were no progress notes to support 4 hours of treatment noted on a service verification.
- There was one instance in which someone signed the service verification other than the client or guardian.
- There was one instance in which the client did not sign the service verification.
- The signatures of two clients were inconsistent on service verifications.
- One client file could not be located.
- There were four instances in which the treatment plan did not indicate the number of hours to be provided for counseling.
- There was one instance in which OJA was billed 9 hours of individual counseling and the treatment plan authorized 8 hours.
- There was one instance in which OJA was billed 13 units of treatment and documentation indicated 9 units were provided.
- In May 2003 there were 4 instances in which treatment was provided subsequent to the time period authorized by OJA on the referral form.

Treatment Provided	OJA Referral Date
May 2003	November 2001
May 2003	April 2002
May 2003	September 2002
May 2003	October 2002

- There was one instance in which a counselor provided treatment on a school visit and there is no service verification.

The questioned costs related to our review of supporting documentation for this contract totaled \$3,781.06.

CONTRACT Z011100 IN THE AMOUNT OF \$166,049.00

We reviewed seventy-five charges for services on the March, April and May 2003 CARS billings. Based on the procedures performed the following issues were noted:

- OJA was billed 9.5 hours of rehabilitation services and only 6 hours were supported by service verifications.

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- There were several instances in which treatment was provided to clients subsequent to the time period authorized by OJA on the referral form:

Treatment Provided	OJA Referral Date
March 2003	May 2002
March 2003	November 2002
March 2003	December 2001
March 2003	March 2002
March 2003	September 2002
March 2003	March 2001
March 2003	June 2002
March 2003	May 2002
March 2003	October 2002
March 2003	December 2001
March 2003	May 2001
March 2003	May 2002
March 2003	November 2002
March 2003	December 2001
March 2003	September 2002

- In March 2003, 15.5 hours of treatment was provided to a client; however, the treatment plan in the client's file covered treatment through February 2003.
- In April 2003, 7.5 hours of treatment was provided to a client; however, the treatment plan in the client's file covered treatment through February 2003.
- In May 2003, 5.5 hours of treatment was provided to a client; however, the treatment plan in the client's file covered treatment through February 2003.
- There were 2 instances in which the level of service (low, medium, or high risk) was not indicated in the treatment plan. The time period allowed for treatment depends on the level of service.
- There were service verifications in one client's file that were signed by the OJA caseworker rather than the client.
- There was one instance in which the OJA referral did not provide any direction describing the services to be provided.

The questioned costs related to our review of supporting documentation for this contract totaled \$6,808.90

CONTRACT Z011862 IN THE AMOUNT OF \$131,089.00

We reviewed seventy-five charges for services on the March, April and May 2003 CARS billings. Based on the procedures performed the following issues were noted:

- Files for 9 clients could not be located. Therefore, no documentation could be located to support treatment billed for these individuals.
- Of the 64 client files that could be found, there was no documentation in 60 of the client files indicating Medicaid eligibility was determined. Language in the CARS contract

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requires contractors apply for Medicaid funding and bill OJA for services not reimbursed by federal funds.

- There were 7 client files that did not contain an OJA referral form indicating any of the services were authorized.
- There were several instances in which treatment was provided to clients subsequent to the time period authorized by OJA on the referral form:

Treatment Provided Date	OJA Referral Date
March 2003	May 2002
March 2003	July 2002
March 2003	August 2002
March 2003	November 2001
April 2003	May 2002
April 2003	July 2002
April 2003	August 2002
May 2003	May 20002
May 2003	July 2002
May 2003	August 2002

- There was one instance in which the counselor did not sign the service verification.
- In March 2003, OJA was billed 44 units of paraprofessional services for a client, and only 36 units were supported by service verifications.
- In April 2003, OJA was billed 4 hours of counseling, only 3 hours was supported by service verifications. Also in April, there was another instance in which OJA was billed 11 hours of rehabilitation services and only 8 hours were supported by service verifications.

The questioned costs related to our review of supporting documentation for this contract totaled \$5,814.45.

CONTRACT Z0011099 IN THE AMOUNT OF \$52,015.00

We reviewed 100% (39) of the charges for services on the March, April and May 2003 CARS billings. Based on the procedures performed the following issues were noted:

- Files for 6 clients could not be located. Therefore, supporting documentation could not be located to support treatment billed for these individuals.
- There were 5 instances in which treatment was provided to the client and there was no treatment plan, authorizing the treatment, in the client files.
- The treatment plan in one client's file was not approved by OJA, authorizing the treatment provided.
- In April 2003, billing reflected 3 hours of counseling to one client and 1 hour to another client in which there was no signature from either client verifying treatment was provided. In May 2003, 4.5 hours of counseling was provided in which there was no signature from the client verifying treatment was provided.
- In April 2003, 4 hours of counseling was provided to a client beyond the time period authorized by the treatment plan. In May 2003, 2 hours of counseling was provided to a client beyond the time period authorized by the treatment plan.

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- There were several instances in which treatment was provided to clients subsequent to the time period authorized by OJA on the referral form:

Treatment Provided Date	OJA Referral Date
March 2003	October 2001
March 2003	March 2002
March 2003	May 2002
April 2003	October 2001
April 2003	March 2001
April 2003	May 2001
May 2003	October 2001

The questioned costs related to our review of supporting documentation for this contract totaled \$5,009.26.

OVERVIEW

Background Information

The CARS program was developed in response to a 1978 federal class action lawsuit, which challenged conditions and childcare practices at institutions and asserted a violation of a right to treatment in the least restrictive environment. The federal court entered in judgment a Consent Decree in May 1984. The guiding principles to the Consent Decree provides:

“the parties recognize and acknowledge the right of children to receive individualized care and treatment in the least restrictive setting consistent with the treatment needs of the children, and additionally in the case of delinquent children, protection of the public.”

The current CARS contracts appeared to evolve from a June 1991 Request for Proposal (RFP) submitted by Department of Human Services for the purpose of soliciting proposals for the implementation of Family Based Services.

Section D of the Request for Proposal provides:

“The Department of Human Services (DHS) seeks via this RFP to choose, through an objective evaluation process, Respondents with whom to establish contracts to implement intensive in-home Family Based Services which are designated to empower, strengthen and preserve families through the provision of an array of services.”

Although CARS contracts were initially awarded through the RFP process, currently the Youth Service Agencies receive the CARS contracts without having to submit proposals.

Questionable whether youth are receiving the services they may need.

The purpose of the CARS program is to provide services that are intended to prevent youth from being removed from the community and for the reintegration of youth into the community for juveniles who have been placed out of their homes. It is questionable whether the youth are receiving the services they may need. From an internal memo we obtained, 125 CARS eligible youth did not receive services during fiscal year 2004. Also, while comparing the CARS services billed for the six Youth Service Agencies, one Agency seemed to provide a disproportionate amount of group rehabilitation and paraprofessional

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services. The amount of group rehabilitation and paraprofessional services provided by this one Agency appears to be inconsistent with the intent of the CARS program, which is to provide individualized intensive in-home services.

An apparent lack of oversight from OJA staff ensuring youth are receiving the services they may need.

As with the CBYS contracts, there is an apparent lack of oversight from OJA staff, related to services funded by CARS contracts. It appears OJA staff is not obtaining assurance that youth are provided the treatment they may need. CARS funding appears to concentrate on the medium and high-risk youth that are in the custody of, or under the supervision of OJA.

The numerous findings related to our review of client files, in which treatment was provided to youth after the referral or treatment plan expired, indicates a lack of oversight on the part of OJA staff. It appears treatment plans were not prepared on a continuing basis, creating situations in which treatment was provided to a client that was not authorized. We were unable to determine the reason current treatment plans were not prepared or obtained to support services provided to clients. One Youth Service did respond in writing to this issue:

“...in regard to your question about our agency not having formal extensions beyond the initial referral from OJA in our C.A.R.S. cases (in approximately the last two years) is that our workers were unable to obtain such paperwork from the respective OJA workers. It presented such a problem in obtaining these forms two years ago that it was decided by OJA that these forms were not necessary as they were a duplication of paperwork that was already completed and signed by OJA workers. The paperwork referenced here are the Treatment Plan extensions /RVU pages which are signed by both the OJA worker and an OJA supervisor.”

It appears appropriate OJA action would prevent these occurrences.

Furthermore, based on our review of contracts, at least some Youth Service Agencies have profited from the difference between the billing rates allowed by the contract and the actual cost of the services. The possibility of financial gain may create an inherent incentive for Youth Service Agencies to become more concerned with reducing the costs of the services provided rather than reducing the costs of administering the programs.

The billing rates OJA allows for each type of treatment are detailed in the CARS contracts. Since OJA allows Youth Service Agencies to acquire services at a lower rate and bill OJA for the established rate, we question whether the difference could be considered a gift. The giving of gifts by OJA appears to be precluded by **Article X § 15A** of the **Constitution of Oklahoma**, previously cited,

RECOMMENDATION

We recommend OJA assign staff to provide a thorough review of CARS billings submitted by Youth Service Agencies before payment is remitted. We also recommend OJA monitor these contracts as required by **74 O.S. 2001, § 85.41.D**.

OJA should address any potential causes for the apparent lack of oversight of the treatment of Youth. OJA should ensure staff are appropriately trained and that there is adequate staff to ensure the youth are provided the services they may need.

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OJA should review the possibilities of payments for unauthorized treatment and billing methods by Youth Service Agencies and take any action considered necessary. OJA should amend contract language that requires that Youth Service Agencies submit bills based on actual costs up to the maximum allowed specified in the contract. Any allowances for indirect or administrative costs should be pre-determined by OJA at a fixed percentage similar to federal guidelines.

The Attorney General should review these findings to determine what action, if any, is necessary.

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**COMMUNITY INTERVENTION CENTER
(CIC) CONTRACTS**

MAIN ISSUES RELATED TO THESE CONTRACTS

- ✓ Contracts are vague, no provision for performance measures.
- ✓ Questionable employee related costs.
- ✓ A Payment of \$17,025.00 was issued prior to a signed contract.
- ✓ Payments for employee bonuses included in reimbursements.
- ✓ A municipality obligated OJA for expenses related to one Youth Service Agency.

The questioned costs based on our review of the following contracts totaled \$151,172.42

BACKGROUND

Community Intervention Centers were established pursuant to **10 O.S. 2001, §7302-3.5.D.1, and 2:**

There are seven CICs across the State. CICs are short-term holding facilities for juveniles taken into custody by local law enforcement.

“...the Department shall implement a pilot program for establishment and continued operation of community intervention centers... The community intervention center shall serve as a short-term reception facility to receive and hold juveniles who have been taken into custody by law enforcement agencies for alleged violations.... For whom detention is inappropriate or unavailable...”

The CIC is further defined in **10 O.S. 2001, §7302-3.5C, 2:**

“The community intervention center (CIC) shall serve as a short-term reception facility to receive and hold juveniles who have been taken into custody by law enforcement agencies. . . . The CIC may be a secure facility. . . Juveniles held in a CIC may not be held in isolation except for combative or self-destructive behavior and then only for short-term protection.”

There are seven (7) CICs in the State; they are located in the following cities and towns:

Clinton, Duncan, Lawton, Enid, Muskogee, Oklahoma City, and Norman

There are two locations in southwest Oklahoma, one in the western part of Oklahoma, three locations in central Oklahoma and one location in eastern Oklahoma. It is surprising that based on population the greater Tulsa area is not represented with a CIC. We question the reasoning behind placing two centers in southwestern Oklahoma, which are 33 miles apart. We could find no information that explains why the particular locations were chosen. We were not provided any documentation, such as arrest data or crime reports, which supports the placement of these facilities.

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FUNDING

Funding provided by State appropriations through OJA.

The first CIC (Clinton) was initially funded in 1997 with a combination of state and federal dollars. Initial state dollars were taken from OJA's "High Risk Transportation" budget line. The Legislature appropriated additional funding to that budget in 1998 and 1999 specifically to increase the funding to CICs. It appears, **10 O.S. 2001, § 7302-3.5.D. 1.**, as described above, was enacted to establish a pilot program and for the continued operation of CICs. CICs opened in Oklahoma City, Norman, Lawton, Duncan, Muskogee and Enid as a result. The federal funding for CICs expired in June 1999.

In April 1999, the OJA Board voted **NO** on appropriating state dollars to the CICs after the three-year pilot program ended, unless the Legislature provided direct appropriations for the CICs in the future. In reviewing OJA Board minutes from March 1999 through June 2004 the only mention of funding CICs in 5 ½ years of minutes was in March of 2000. The Board voted to fund the existing CICs at the same level as the previous year. (It should be noted that OJA could not produce minutes for meetings that occurred in Oct. 2000, Jan. 2001, Sept. 2003, Oct. 2003, and Jan. 2004.) There was no mention of new state funding approved by the Board that would rescind their vote of April 1999. However, the Legislature began providing direct appropriations for CICs. Laws 2001, SB 235, c.229, § 14 and HB 1570, c.433, § 63 provided funding to specific CICs while Laws 2002, SB 1164, c.433, § 2 moved \$1.7 million from the non-residential services category to the Community Based Youth Services category for CICs.

CONTRACTS

Contracts are vague and no provision for performance measures.

We reviewed the fiscal year 2003 contract between the City of Lawton and OJA. It was noted the City of Lawton sub-contracted the operation of the CIC to Marie Detty Youth and Family Services. Based on our review of the contract and sub-contract, the following was noted:

- Vague language in contract.
- No performance based measures. (the CIC gets paid regardless of the number of children served)
- OJA is required to monitor annually for contract compliance. (contract is vague)
- The State had a predetermined portion (\$300,000) but city wouldn't specify how much they are going to pay.
- There appears to be no incentive for the subcontractor to perform.

RECOMMENDATION

The Legislature should review this matter to determine if continued funding is necessary or consider combining the programs. If it is the intent of the Legislature to continue to fund these 7 CICs with State dollars, even though shelters provide similar services, OJA should consider restructuring future contracts. Contracts for CICs should be more specific and include, but not be limited to, adding performance measures as well as specifying the amount to be matched by the municipality.

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CONTRACT FILE REVIEW

We reviewed the fiscal year 2001-02 file at OJA related to contract Y016218 in the amount of \$198,674.00. Based on our review of the contract file, the following was noted:

- **A \$17,025.00 payment was issued prior to a written contract.**

The first payment of \$17,025.00 was issued to the municipal authority two months before a contract was signed.

The municipal authority sub-contracted with the area youth service agency for the operation of the CIC agreement on June 26, 2001.

A vendor payee change order was issued by OJA to change the payee to a Youth Service Agency on August 8, 2001. However, the "affidavit of assignment" between the municipal authority and the youth service agency, was not executed until February 20, 2002.

Questioned Costs: \$ 17,025.00

RECOMMENDATION

- We recommend the employee that approves claims for payment take the necessary steps to ensure a valid contract is on file before any payment is remitted.
- We recommend changes in the dollar amount of the original contract be supported by documentation justifying the increase. We also recommend OJA develop a procedure requiring any significant increases in the contract amount be subject to approval by an employee in a supervisory position.
- OJA should review this increase for appropriateness and take any action that is necessary.
- The Attorney General should review this finding to determine what action, if any, is necessary.

CONTRACT REVIEW FOR SUPPORTING DOCUMENTATION

Findings related to our review of four Community Intervention Centers
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Seven municipalities are provided an annual CIC contract. Six of these municipalities sub-contract with a Youth Service Agency for the operation of the CICs. We selected five fiscal year 2002-03 contracts to review for contract compliance and to ensure expenses claimed for reimbursement are appropriate and are supported by adequate documentation. The following findings are the result of our review of expenses related to four CIC contracts for the fiscal year 2002-03.

CONTRACT Z019717 IN THE AMOUNT OF \$271,000.00

CONTRACT Z005091 IN THE AMOUNT OF \$300,000.00

CONTRACT Z014368 IN THE AMOUNT OF \$271,000.00

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benefits, maintenance, operation, training, travel, equipment and other fees of the Youth Service Agency.

The municipality does not appear to have the authority to obligate OJA to cover the costs of fringe benefits to a third party private vendor. The original contract is between the municipal authority and OJA. It was the municipal authority's choice to sub-contract with the youth service agency; therefore, the City should absorb these additional costs, not OJA.

In addition to questioning the legality of this subcontract, we question the total cost of the employee fringe benefits, in the amount of \$ 59,966.50. It does not appear contract language authorizes the payment of fringe benefit packages for a contractor's employees.

We found a bill from Southwestern Bell Yellow Pages to the youth service agency in the amount of \$ 3,359.00 for advertising. Since the contract from OJA is for a finite population we question the need for the youth service agency to advertise their services.

Questioned Costs: \$ 63,325.50

CONTRACT Z023900 IN THE AMOUNT OF \$240,000.00

- **Payments for employee bonuses**

A review of the payroll records indicated that the Youth Service Agency paid their CIC employees bonuses on December 13, 2002 totaling \$1,208.00.

- **Payments for OAYS dues**

Of the total \$7,104.00 paid for OAYS dues, \$1,956.00 was paid with CIC funds. In addition CIC funds were used to pay \$62.50 of the total \$250.00 OAYS certification fee for the agency.

Because these expenses to the CIC do not provide a direct service to the youth of Oklahoma they appear to be improper.

Questioned Costs: \$3,164.00

RECOMMENDATION

We recommend any questioned costs related to the CIC contracts be evaluated and reviewed and appropriate action taken.

The findings related to our review of CIC contracts appeared to be the result of using reimbursement contracts. The use of fixed rate contracts should significantly reduce the use of State funds for the payment of expenses that we questioned during our review or paying costs that are not a part of the services provided. As previously noted, we recommend the use of fixed rate contracts in accordance with **74 O.S. 2001, § 85.41.G.1.**

We recommend the Attorney General review this finding.

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**ANNUAL OAYS CONTRACT
IN THE AMOUNT OF \$203,000.00**

CONTRACT FOR TRAINING AND TECHNICAL ASSISTANCE

**Possible duplicate payment
for services already rendered.**

As outlined on the OAYS Website:

“The OAYS office and resources provide support, management, training, consultation and technical assistance to designated youth service agencies.”

While reviewing expenditures, we noted Youth Service Agencies pay dues to OAYS based on the revenue they receive. According to one Agency director, dues are paid to OAYS for training/technical assistance and obtaining additional contracts, such as FTOP and CARS.

OJA contracts with OAYS on an annual basis for providing training, technical assistance, etc., for Youth Service Agencies as authorized by **10 O.S. 2001, § 7302-3.6a.G.**

According to **10 O.S. 2001 § 7302-3.6(G):**

“The Office of Juvenile Affairs is authorized to contract with the Oklahoma Association of Youth Services for evaluation, training and materials for the First Time Offender Program and for statewide office support, including rental of office space and general technical assistance for Youth Service Agencies with which the Office of Juvenile Affairs has contracts.”

It appears OJA contracts with OAYS to provide similar services to those that are funded by dues received from member Youth Service Agencies. We question whether the \$203,000.00 in State funds are used to finance the services already funded by OAYS dues paid by member agencies. In some instances, those dues are paid from funds received by Youth Service Agencies from OJA. Thus, OJA pays for the same services twice, first directly by contract with OAYS and then through dues paid by Youth Service Agencies, which fees are based on a percentage of their contracts with OJA. Further, we question the benefit to OJA in paying OAYS to train OAYS member agencies since there is no clear description of the training OAYS is contracted to provide.

In addition, the circumstances in which OJA reimbursed Youth Service Agencies for OAYS dues may be considered gifts and subject to **Article X § 15A** of the **Constitution of Oklahoma**, which appears to preclude the giving of gifts.

REIMBURSEMENT CONTRACTS FOR PROFESSIONAL SERVICES

**A reimbursement contract is
used although State statute
appears to require a fixed rate
contract.**

It appears this contract is a contract for professional services and subject **74 O.S. 2001, § 85.41.G.1.**

According to **74 O.S. 2001, § 85.41.G.1:**

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“Contracts for professional services shall provide payment for services at a uniform rate throughout the duration of contract if the services throughout the duration of the contract are similar and consistent.”

REIMBURSEMENT OF OPERATIONAL COSTS

Using a reimbursement contract resulted in funding fluctuating operational costs.

Since this contract was on a reimbursement basis, fluctuating operational costs were paid by OJA.

A review of fiscal year 2003 and 2004 OAYS contract file indicated the following breakdown of the expenditures for 2003:

Salaries	\$96,581.61
Payroll Taxes	8,300.79
Fringe Benefits	19,672.37
Consultant	40,000.00
Building	21,450.00
Office/Postage	11,112.05
Accounting/Audit	883.28
Insurance	5,000.00
Total	\$203,000.00

We question whether the intent of **10 O.S. 2001 § 7302-3.6a.G** is to provide funding to OAYS for its operational expenses. Approximately \$66,418.00 or 33% of the revenue from the OJA contract was used to pay expenses for payroll taxes, employee fringe benefits, rent, office expenses, audit expenses and insurance. Further, approximately \$50,000.00 of the \$96,581.61 salary expense went to the salary of the manager and secretary. Thus a significant amount of the funding provided by OJA is used for expenses that are not directly related to the services being provided.

Prior to the adoption of **10 O.S. 2001, § 7302-3.6a.G**, contracts with OAYS had been rejected as sole source contracts, which would possibly be in violation of **Article X, § 15A** of the **Constitution of Oklahoma** as a gift.

NECESSARY RESOURCES

OAYS may not be capable of delivering the services without the funding provided through the OJA contract.

It appears that OJA funding subsidizes OAYS so that it can provide the services. The OJA contract provides approximately 37% of the total income for OAYS and pays for approximately 51% of the total OAYS payroll.

Section V of the contract states:

“Contractor shall furnish the necessary facilities, materials, and qualified persons to provide consultation, brokerage of services, agency coordination and leadership to the 41 member agencies that will enhance the prevention of delinquency and the diversion of youth under the age of eighteen (18) years from further penetration into the juvenile justice system.”

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In addition, **Title 580 Chapter 15 Subchapter 2 of the DCS Guidelines** provides:

“Responsible supplier means a supplier who demonstrates capabilities in all respects to fully perform the requirements of a contract which may include, but not be limited to, finances, credit history, experience, integrity, perseverance, reliability, capacity, facilities and equipment which will ensure good faith performance.”

It is questionable whether the intent is to provide the funding to enable the contractor to provide the service. It appears the intent of the contract is that costs not directly related to the provision of services be absorbed by the contractor and not reimbursed with State funds.

LACK OF INTERNAL CONTROLS AND MONITORING

Payments were remitted with limited documentation and accountability.

Payments are remitted monthly based on an expenditure summary. No documentation, such as itemized invoices, are submitted to support the expenditures. An OJA designee signs these expenditure reports attesting the amounts are for costs incurred in the provision of services as prescribed in the contract. Because of the lack of documentation provided, this individual does not have the necessary information to verify whether the costs were actually for services prescribed in the contract.

OJA does not require documentation supporting these expenditure reports. These expenditure reports do not appear to provide sufficient accountability for the expenditure of State funds. From these reports it cannot be determined, at a minimum, the following needed information:

- The identity of the employees whose salaries are being reimbursed.
- The specific fringe benefits that are being reimbursed. (health, vision, dental)
- Description of the purpose of the consultant.
- Description of building(s) expenses. (rent, telephone and utilities)
- Description of advertising expenses.
- Description of postage expenses.
- Description of memberships.
- Description of insurance.

There was no indication the contract was monitored.

OJA is required to monitor contracts in accordance with **74 O.S. 2001, § 85.41.D:**

“D. A state agency shall administer, monitor and audit the professional services contract.”

There was no required monitoring report in the contract file indicating the contract with OAYS was monitored.

There were no progress reports in OJA files.

Section V (B) of the OAYS contract provides in relevant part:

“Contractor shall, through its Board and Committees, develop an effective system of uniform outcome information.”

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According to the Service Requisition Justification:

“Contractor will provide program progress reports and fiscal reports monthly during the contract period. Contractor will also provide a final program report on request.”

There was no documentation in the contract file of any outcome information, progress reports or a final program report. Interviews with OJA personnel indicated no progress or outcome reports have been provided. Since we could find no record of any progress or program reports, it appears OJA has not required or requested these reports. While reviewing records at several Youth Service Agencies, we noted that Agencies do prepare an annual report, some of the reports provided program and outcome information.

In the absence of any outcome and progress reports and the limited documentation required by OJA, it is questionable how a performance evaluation is prepared since OJA would not have any knowledge of the programs provided or a basis to measure the outcome of services.

A performance evaluation is required by **74 O.S. 2001, § 85.41.B**, which provides in relevant part:

“The state agency shall evaluate the performance of the professional services provided pursuant to a professional services contract. The performance evaluation shall indicate the quality of service or work product of the supplier.”

QUESTIONABLE EXPENSES

- **Employee Fringe Benefits (\$19,672.37)**

Language in the contract appears to prohibit the payment of benefits available to OJA employees.

According to Part III Section F of the contract:

“The Contract does not create an employment relationship. Contractor’s employees shall not be considered employees of OJA for any purpose and as such shall not be eligible for benefits accruing to OJA employees.”

- **Reimbursement for Christmas Bonuses**

It appears the salary expense reimbursed by OJA included \$300.00 for employee Christmas bonuses.

The questioned costs related to our review of the OAYS contract totaled \$19,972.37. The entire \$203,000.00 could be in question since the purpose of the contract appears to be funded by membership dues.

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RECOMMENDATION

We recommend the Attorney General review these findings.

We recommend OJA review the annual contract with OAYS and evaluate the appropriateness and necessity of this annual expense and determine if future contracting should be discontinued.

If it is determined this contract should be continued:

- We recommend that this contract should be based on a fixed rate for specific services.
- OJA should ensure that required reports are on file and the contract is monitored on an annual basis as required by **74 O.S. 2001, § 85.41.D.**
- OJA should require supporting documentation to substantiate the all claims for reimbursement.

GANG CONTRACTS

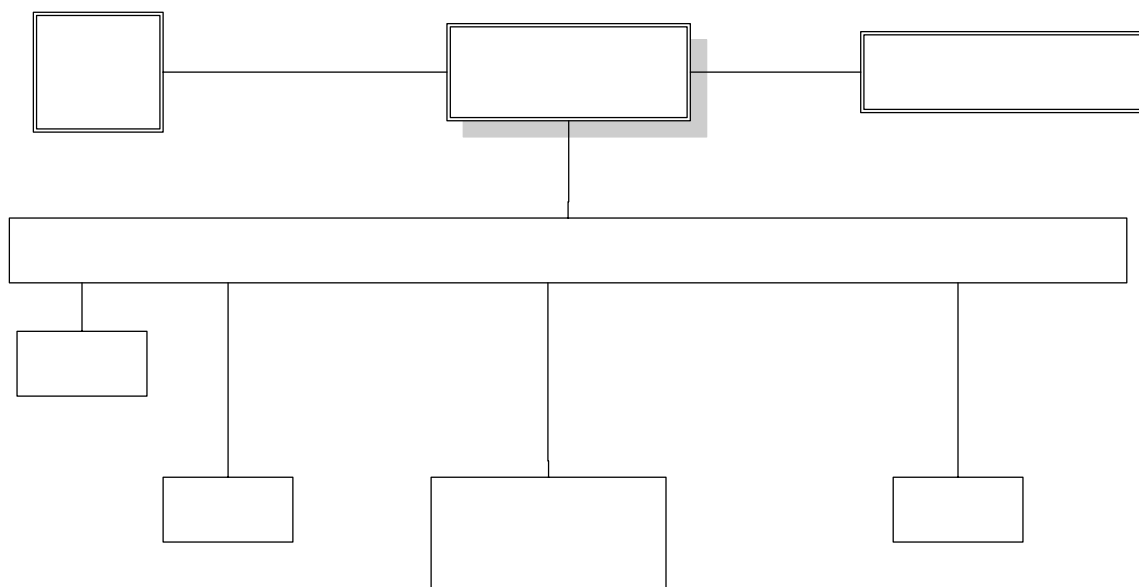
DELINQUENCY PREVENTION AND EARLY INTERVENTION PROGRAMS

Contracts developed under this area are better known as the "Gang Contracts". We examined gang contracts between OJA and Oklahoma Health Care Project, Inc. for two different types of programs. The two programs, Oklahoma Youth Empowerment System (O YES!) and the Parent/Guardian Support Network (PGSN) are both developed and directed by Oklahoma Health Care Project, Inc.

OKLAHOMA YOUTH EMPOWERMENT SYSTEM (O YES!) IN THE AMOUNT \$514,924.00

BACKGROUND

The "O YES!" program is actually a number of services provided by a consortium of agencies. The Oklahoma Health Care Project (OHCP) is the contracting agency for the OYES program and provides financial oversight and management. Eagle Ridge Institute Inc. (ERI), the Latino Community Development Agency (LCDA), Three Star (III Star) are the service providers; and MT Consulting (MTC) evaluates the program.



The purpose of the "O YES!" program is to reduce gang involvement and violent delinquent behavior. Examples of services include; individual, group and family counseling, educational awareness in the areas of cultural values, drug abuse, gang involvement, abstinence, and career opportunities and experiences.

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FUNDING

The funding for this program resulted from an Invitation to Bid issued by DCS. The Oklahoma Health Care Project was awarded a multi-year contract that expires in June 2006. The original contract was for the amount of \$426,000.00, which includes administrative costs of \$41,755.00.

PROCEDURES

Because of time constraints, we did not attempt to obtain supporting documentation from the contractor. We reviewed records maintained at OJA, which do not include supporting documentation for expenses claimed for reimbursement.

POSSIBLE DUPLICATION OF SERVICES

**OJA could be funding O YES!
for a service already funded
through the CBYS contract.**

Language in the "O YES!" Invitation to Bid (a signed contract could not be located) provides:

"The overall goal of the O YES! Program is to provide direct community-based integrated intervention and prevention services to delinquent and at-risk youth in Oklahoma County."

OJA provides Youth Services of Oklahoma County with an annual CBYS contract. The purpose of this contract is set forth in **10 O.S. 2001, § 7302-3.3**, which provides in relevant part:

"...establishment and maintenance of community-based prevention and diversionary youth services programs...with emphasis on keeping youth with a high potential for delinquency..."

The goal of the "O YES!" program appears to be identical to the purpose of the CBYS contract provided to Youth Services of Oklahoma County. Therefore, the services OJA may be funding through "O YES!" may already be funded through the CBYS contract. For fiscal year 2003, OJA contracted with Youth Services of Oklahoma County for community-based youth services in the amount of \$962,698.00. In addition to this amount, OJA also paid \$514,924.00 for the community-based services related to the "O YES!" program. Further, this amount was expended on services in which there was no apparent performance evaluation for the programs provided.

LACK OF INTERNAL CONTROLS AND ACCOUNTABILITY

**Payments are remitted with
limited documentation and
accountability.**

Payments are remitted to OHCP on a monthly basis based on an expenditure summary. OJA does not require documentation supporting these expenditure reports. These expenditure reports do not appear

to provide sufficient accountability for the expenditure of State funds. From the expenditure summaries it cannot be determined, even minimum specifics such as:

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- The identity of the employees whose salaries are being reimbursed.
- A description of the fringe benefits. (health, dental, vision)
- A description of communications.
- A description of space rented and costs included in the rent expense.
- A description of the referral services.
- A description of insurance expenses.

Documentation provided by OJA that relates to this contract did not include claims forms for February 2001, March 2001, and January 2002.

LACK OF MONITORING AND OVERSIGHT

Payments are remitted with limited fiscal and programmatic oversight.

There was no documentation in the contract file indicating the contract had been monitored to ensure amounts reimbursed were reasonable or that documentation was maintained to support expenses. It appears that the consortium submits claims and OJA pays these claims without verifying that the costs were allowable, necessary and required. As previously noted, **74 O.S. 2001, § 85.41.D** requires contracts to be monitored.

In addition to the apparent lack of fiscal oversight, the program side demonstrated a lack of attention in verifying if the services were effective and the number of clients served. Funding continued to be provided without any apparent programmatic oversight. There was no indication that contract performance is measured and whether services are effective. Apparently, the contractor is paid regardless of the number of clients served or the success or failure of the program. This situation could result in a lack of incentive to perform.

QUESTIONABLE TYPE OF CONTRACTS

A reimbursement contract is used for professional services.

As previously discussed, these contracts appeared to be contracts for professional services. Payments based on a claim for reimbursement appears to be contrary to **74 O.S. 2001, § 85.41.G.1**, which requires the payment for services be at a uniform rate.

ADMINISTRATIVE OVERHEAD

For the contract year 2003, \$514,924.00 was claimed for reimbursement. Of that amount, \$55,907.58 was claimed by OHCP for financial oversight and management. Documentation is unclear as to the exact services provided by OHCP. Because OJA contracts directly with Youth Service Agencies who provide the services, it appears there is no reason why OJA should not contract directly with these service providers.

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RECOMMENDATIONS

- There appears to be a considerable amount of funds expended for community-based services in Oklahoma County. We recommend OJA evaluate the services provided by the two contractors and consider discontinuing the OYES contract. OJA is currently required by statute to contract with Youth Service Agencies for community-based services. If Youth Services of Oklahoma County desires the services of OYES then this could be accomplished through an OJA approved sub- contract.
- We recommend this contact be based on a uniform rate.
- OJA should develop internal controls to ensure contracts are monitored as required by **74 O.S. 2001, § 85.41.D**. These controls should include assigning an adequate amount of staff to monitor the contracts. The employees responsible for monitoring contracts should develop a checklist of all contracts to account for the monitoring of contracts.
- OJA should require and confirm outcome information and evaluate whether the benefits merit the cost. OJA should also evaluate the benefit of the financial oversight and management cost and explore the possibility of contracting directly with the community partners. This could result in the availability of additional funding for the services that provide a direct benefit to youth.

**PARENT/GUARDIAN SUPPORT NETWORK
(PGSN) IN THE AMOUNT OF \$173,500.00**

BACKGROUND

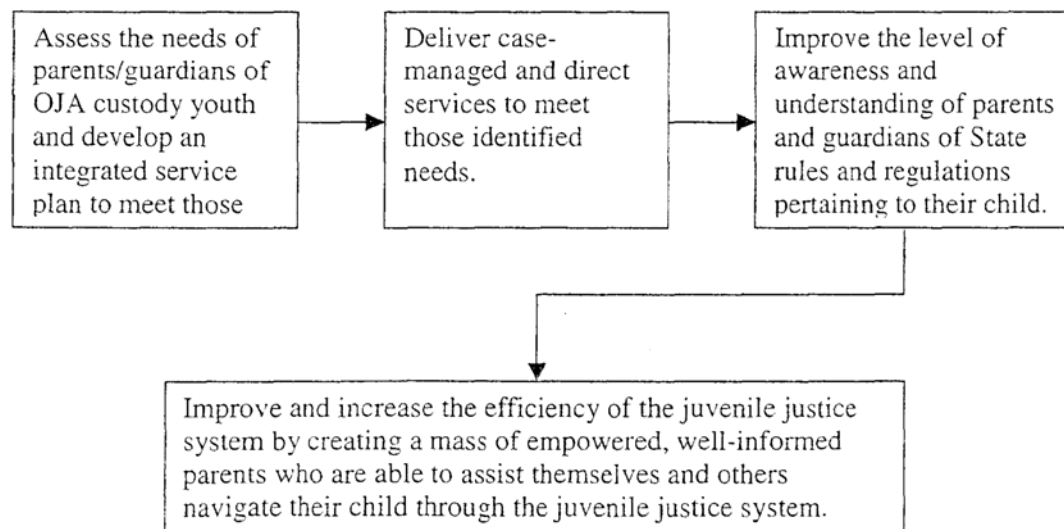
The *Parent/Guardian Support Network* (PGSN) is a consortium made up of area agencies. The contracting agency for the peer-based support system for parents/guardians of OJA custody youth is the Oklahoma Health Care Project (OHCP). The PGSN is designed to reduce the numbers of at-risk youth across the State of Oklahoma by working with the parents, guardians, and siblings of OJA custody youth.

The PGSN is a broad-based community coalition made up of area residents, community leaders, and service providers. The Network has mandated that community focus groups and meetings will be held on a monthly basis.

The PGSN will be administered and operated by OHCP. The OHCP will serve as the fiscal agent and will receive and expend all funding awarded to the PGSN.

The overall project goal is to empower families to guide, direct, and properly manage their future that can lead to acceptance of a social reality too far removed from the society at large. The chart below depicts the model to be used to achieve this goal.

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FINDINGS RELATED TO A BUDGET AMENDMENT

Background

While reviewing documentation related to the PGSN, the following events transpired:

- Following a budget reduction, the Executive Director of OHCP issued a memo, dated August 25, 2003, to OJA indicating the need to reduce the areas of service to the metropolitan areas of Tulsa and Oklahoma City. The initial Invitation to Bid indicates services would be performed statewide.
- On March 30, 2004, a letter signed by several state legislators, was issued to the Executive Director of OJA requesting that \$16,000 of additional funding be provided to PGSN. According to the letter, the reason for the request for the additional funding was to address the demand for services in North Tulsa due to the escalation in gang related violence and deaths involving parents of gang involved youth.
- On April 8, 2004, the Executive Director of OHCP issued a memo to OJA requesting a \$16,000.00 increase for the same reasons noted in the March 30, 2003 letter.
- On April 8, 2004, the OJA Executive Director issued a letter to the Director of Central Purchasing seeking a determination of the appropriateness of the funding increase.
- On April 9, 2004, the Director of Central Purchasing approved the funding increase.

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Basis for Budget Increase of \$16,000.00 is Questionable

- **Apparent contradiction in the description of the services provided by PGSN between the Invitation to Bid and the Senate request.**

The Invitation to Bid indicates PGSN provides a support system for parents or guardians of OJA custody youth.

Section I of the Invitation to Bid provides in part:

“The Department of Central Services on behalf of the office of Juvenile Affairs (OJA) seeks proposals for the provision of a peer-based support system for parents/guardians of OJA custody youth. The peer-based network will provide counseling, education, assistance, employment assistance, court advocacy, transportation, etc.”

The Senate request for a budget increase suggests PGSN provides delinquency prevention/gang intervention services:

“...PGSN contracts with the Office of Juvenile Affairs to provide delinquency prevention/gang intervention services and is the only contracted entity providing these types of service that is not limited to a specific geographical service area within the state”

The Senate request appears to indicate PGSN is providing delinquency prevention/gang intervention and the Invitation to Bid indicates PGSN is a support network for parents. Therefore, it is unclear whether the purpose of the additional funds is for delinquency prevention/gang intervention or support services for parents and guardians.

- **Additional funds requested for PGSN for apparently the same area they were currently providing services.**

The Invitation to Bid indicated services would be provided statewide. Language in the Invitation to Bid provides in relevant part:

“The proposal outlines the continuance of the current Statewide Parent/Guardian Support Network throughout the State of Oklahoma covering each of the eleven districts identified by the Office of Juvenile Affairs.”

According to an August 25, 2003 memo from the Executive Director of OHCP:

“...Due to the additional reduction in the OJA budget and the elimination of other funding sources, PGSN has lost 2 facilitators and is proposing to reduce the service area from Districts B, D, F, and K to serve only the metropolitan areas of Oklahoma City and Tulsa...”

The Senate request and the request from the OHCP Executive Director indicate additional funding is needed for services in North Tulsa.

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The Senate request for a budget increase provides:

"...This contract modification is requested in order to address the increase in demand for services in North Tulsa due to the recent escalation in gang related violence and deaths involving parents of gang involved youth."

The budget increase request from the OHCP Executive Director provides:

"Due to the growing need of Parent/Guardian Support services in North Tulsa evidenced by the increasing gang violence and delinquent activity directed towards parent/guardian and families of gang involved youth."

Both requests indicate the need for services in North Tulsa; however, it appears based on the Invitation to Bid and the August 25, 2003 memo, PGSN was already servicing this area.

- **Both requests indicate gang violence has increased; however, documentation we obtained suggests the number of clients served has decreased.**

Information, contained in an internal memo from an OJA procurement officer, suggests a decrease in the number of clients served. Based on the information in the memo, a total of 16 clients were served in October 2003, and total of 8 clients were served in February 2004.

Based on these issues, we question the justification for the \$16,000.00 budget increase.

SENATE REQUEST

For the past two years, Families of Murdered Children (FOMC) has been a community partner/collaborator with Parent Guardian Support Network (PGSN). PGSN contracts with the Office of Juvenile Affairs to provide delinquency prevention/gang intervention services and is the only contracted entity providing these types of services that is not limited to a specific geographical service area within the state. I, along with the undersigned legislative members, hereby request approximately \$16,000.00 additional funding, in the form of a contract modification, for FOMC/PGSN for April, May and June of the present fiscal year.

This contract modification is requested in order to address an increase in the demand for services in North Tulsa due to the recent escalation in gang related violence and deaths involving parents of gang involved youth.

This modification would represent approximately 10% of PGSN's present base allocation, an amount that is permissible by statute and Department of Central Services rules.

We are requesting expeditious processing of this modification request to avoid any interruption in FOMC/PGSN's efforts in attempting to address the needs of parents and guardians of gang-involved families in North Tulsa.

Please contact Senator [REDACTED] to acknowledge receipt of this correspondence. Thank you for your attention to this matter.

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OHCP REQUEST

Due to the growing need of Parent/Guardian Support Network services in North Tulsa evidenced by the increasing gang violence and delinquent activity directed towards parents/guardians and families of gang involved youth, PGSN is requesting a 10% budget increase through June 30, 2004. PGSN will continue its current program services, but expand them within the North Tulsa area. The services include hosting parenting classes, focus groups, educational training and other programs at the area youth services agencies as per the cooperative agreement between the Network and its community partners (PGSN Response to ITB#L036562, p3, #7). The program goal is Infrastructure Coordination: To coordinate and expand the gang intervention/delinquency prevention efforts of agencies serving youth who are vulnerable to interfacing with gangs and recruitment into their populations (p7, Goal #3). The Parent Guardian Support Network has provided an extensive support system for the parents of youth who are currently in custody, parents of youth who have yet to be adjudicated, and parents of youth who are at risk of delinquency and gang involvement. The Network follows the premise that the only effective way to facilitate change in the child is to provide knowledge and opportunities for the entire family (p.8). PGSN will design a Parenting Troubled Youth Skill Development Institute that will provide parenting skills training in North Tulsa for at-risk parents who have children involved in gang activity. In cooperation with Families of Murdered Children and other community partners, the Network will design a research-based curriculum and hold scheduled classes in North Tulsa (p9).

The 10% increase for this expansion will result in an additional \$16,000 for program expenses and would be used as follows:

Personnel – 1 FTE Sr. Case Manager and 1 FTE Case Manager in North Tulsa as defined in the original ITB response at the approved hourly rate. (\$7,350)

LACK OF INTERNAL CONTROLS AND ACCOUNTABILITY

Payments are remitted with limited documentation and accountability.

Payments are remitted to OHCP monthly based on an expenditure summary. OJA does not require documentation supporting these expenditure reports. These expenditure reports do not appear to provide sufficient accountability for the disbursement of State funds.

From the expenditure summaries it cannot be determined, even minimal specifics such as:

- The identity of the employees whose salaries are being reimbursed.
- A description of the fringe benefits. (health, dental, vision)
- A description of communications.
- A description of space rented and costs included in the rent expense.
- A description of the referral services.
- A description of insurance expenses.

LACK OF MONITORING AND OVERSIGHT

Payments are remitted with limited fiscal and programmatic oversight.

There was no documentation provided indicating the contract had been monitored to ensure amounts reimbursed were reasonable and documentation is maintained to support expenses. It appears that the consortium submits claims and OJA pays these claims without ever verifying whether the costs were allowable, necessary or required. As

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previously noted, **74 O.S. 2001, § 85.41.D** requires contracts be monitored.

In addition to the apparent lack of fiscal oversight, the program side demonstrated a lack of attention in verifying the number of clients served and if the services were effective. Funding continued to be provided without any apparent programmatic oversight. There was no indication that contract performance was measured and whether services are effective. Apparently, the contractor is paid regardless of the number of clients served and regardless of the success or failure of the program. This situation could result in a lack of incentive to perform.

QUESTIONABLE TYPE OF CONTRACTS

A reimbursement contract is used for professional services.

As previously discussed, these contracts appear to be contracts for professional services. Payments based on a claim for reimbursement appears to be contrary to **74 O.S. 2001, § 85.41.G.1**, which requires the payment for services be at a uniform rate.

POSSIBLE OVERPAYMENT

OHCP has two classes of facilitators and each class is billed at a different rate. A Facilitator is billed at a rate \$9.60 an hour, a Senior Facilitator is billed at a rate of \$11.42 an hour.

According to the proposal from OHCP each facilitator is expected to put in 2080 hours of service per year. That number of hours would be equal to one employee working a 40-hour week for 52 weeks a year. The PGSN anticipates that there will be 3.5 FTE of Senior Level Facilitator and 5 FTE of Facilitator over the course of the year. Those anticipated needs would equal:

Position	FTE	Rate	Total Hours	Total Amount
Facilitator	5.0	\$ 9.60	2080	\$ 99,840.00
Senior Facilitator	3.5	11.42	2080	83,137.60
Total Amount Required Per Year				\$ 182,977.60

According to the proposal OHCP/PGSN requested \$183,040.00 for the first year, which is a \$62.40 increase over the amount needed based on their numbers.

The request for funding is for 50% from OJA or \$91,520.00

Charging OJA for employee time based on the maximum possible time for a year is inappropriate. It would be reasonable to assume an individual would have annual and holiday time off during the year for which the contractor should not charge OJA. Also, the nature of the facilitator position makes it doubtful that they would normally work a 40-hour week.

Using conservative numbers the amount over-charged for the 5 Facilitators for annual leave totaled \$4,320.00. The overpayment for annual leave is \$3,840.00 and based on 10 holidays a year, the holiday leave total would be \$480.00.

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The overpayment for the 3.5 Senior Facilitators for annual and holiday leave totaled \$3,597.30. The overpayment for annual is \$3,197.60 and based on 10 holidays a year, the holiday total would be \$399.70.

The Total Overpayment for this category is: **\$ 7,917.30**

SUMMARY OF QUESTIONED COSTS

The total questioned costs related to this contract are summarized as follows:

\$16,000.00	Questionable budget increase.
\$4,320.00	Possible overpayment for five facilitators.
\$3,597.30	Possible overpayment for senior facilitators.

RECOMMENDATIONS

- We recommend this contract be based on a uniform rate.
- OJA should develop internal controls to ensure contracts are monitored as required by **74 O.S. 2001, § 85.41.D**. These controls should include assigning an adequate amount of staff to monitor the contracts. The employees responsible for monitoring contracts should develop a checklist of all contracts to account for the monitoring of contracts.
- If this contract continues to be on a reimbursement basis, OJA should require documentation to support all claims. Funds should be withheld until sufficient documentation is received.
- OJA should require and confirm outcome information and review costs associated with this program and make any funding adjustments considered necessary. OJA should also evaluate the benefit of the financial oversight and management cost and explore the possibility of contracting directly with the community partners. This could result in the availability of additional funding for the services that provide a direct benefit to youth.

We also recommend the Attorney General review these findings.

**JUVENILE ACCOUNTABILITY BLOCK GRANT
(JAIBG)**

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Background

Federal Money - Juvenile Accountability Incentive Block Grant

OJA was awarded a grant from the United States Department of Justice, Office of Juvenile Justice and Delinquency Prevention (OJJDP). The title of the grant is the Juvenile Accountability Incentive Block Grant (JAIBG). The grant is identified in the United States Catalog of Federal Domestic Assistance (CFDA) as Federal Program # 16.523.

The purpose of this federal program was to provide States and units of Local Governments with financial assistance to develop programs to promote greater accountability in the current juvenile justice system. The State Office of Juvenile Affairs as a recipient of the grant was to survey the field and identify projects that would benefit from research, demonstration, and evaluation in the 12 purpose areas identified in the JAIBG Program as follows:

PURPOSE AREAS

Purpose – 1 Building, expanding, renovating, or operating temporary or permanent juvenile correction or detention facilities, including training of correctional personnel.

Purpose – 2 Developing and administering accountability-based sanctions for juvenile offenders.

Purpose – 3 Hiring additional juvenile judges, probation officers, and court-appointed defenders, and funding pre-trial services for juveniles, to ensure the smooth and expeditious administration of the juvenile justice system,

Purpose – 4 Hiring additional prosecutors, so that more cases involving violent juvenile offenders can be prosecuted and backlogs reduced.

Purpose – 5 Providing funding to enable prosecutors to address drug, gang, and youth violence problems more effectively.

Purpose – 6 Providing funding for technology, equipment, and training to assist prosecutors in identifying and expediting the prosecution of violent juvenile offenders.

Purpose – 7 Providing funding to enable juvenile courts and juvenile probation officers to be more effective and efficient in holding juvenile offenders accountable and reducing recidivism.

Purpose – 8 The establishment of court-based juvenile justice programs that target young firearms offenders through the establishment of juvenile gun courts for the adjudication and prosecution of juvenile firearms offenders.

Purpose – 9 The establishment of drug court programs for juveniles so as to provide continuing judicial supervision over juvenile offenders with substance abuse problems and to provide the integrated administration of other sanctions and services.

Purpose – 10 Establishing and maintaining interagency information-sharing programs that enable the juvenile and criminal justice system, schools, and social services agencies to make more

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informed decisions regarding the early identification, control, supervision, and treatment of juveniles who repeatedly commit serious delinquent or criminal acts.

Purpose – 11 Establishing and maintaining accountability-based programs that work with juvenile offenders who are referred by law enforcement agencies, or which are designed, in cooperation with law enforcement officials, to protect students and school personnel from drug, gang, and youth violence.

Purpose – 12 Implementing a policy of controlled substance testing for appropriate categories of juveniles within the juvenile justice system.

CONTRACT REVIEW

Due to the findings in our previous audit of OJA and the Oklahoma Sheriff's Association, we reviewed other OJA Juvenile Accountability Incentive Block Grant (JAIBG) contracts with local entities. We reviewed other contracts to determine whether the problems noted in our previous report were isolated or systemic. We reviewed 20 entities (contracts files only) that had received JAIBG monies for the contract periods of FY 2000, 2001, 2002, 2003, and 2004 for a total of approximately 84 contracts examined. We noted the following areas of concern:

Lack of Accountability

- OJA contract files lacked support documentation for the monies that were being reimbursed to the subrecipient/subcontractor.

The majority of contract files reviewed had little or no supporting documentation for the reimbursement of expenses. From OJA's aspect it was difficult to verify the amounts reimbursed by the documentation provided to them. The contract requires that Quarterly Progress Reports and a Report of Expenditures be submitted to OJA. However, OJA did not properly maintain these documents.

The U.S. Department of Justice Financial Guide (pg.28) states:

"Where the conduct of a program or one of its components is delegated to a subrecipient, the direct recipient is responsible for all aspects of the program including proper accounting and financial recordkeeping by the subrecipient. Responsibilities include the accounting of receipts and expenditures, cash management, the maintaining of adequate financial records, and the refunding of expenditures disallowed by audits."

OMB Circular A-87 C. Basic Guidelines 1, j., states:

"1. Factors affecting allowability of costs. To be allowable under Federal awards, costs must meet the following general criteria:
j. Be adequately documented."

From the finding above it appears that adequate supporting documentation was not maintained by OJA's JAIBG department.

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Funds were awarded without supporting documentation and not paid on a reimbursable basis as required by state statutes and federal guidelines

- 25 instances of subrecipients/subcontractors drawing down monies in a lump sum without supporting documentation.

OJA contract requirements, **Part III, 4 (a), (b)** states:

"a. Funds made available pursuant to this agreement shall be used to reimburse subgrantee for expenses incurred during the period funded as specified in Parts I and II for the purposes and activities approved and agreed to by OJA. No grant funds may be used for expenses incurred either prior to or after the time period specified.

b. OJA shall disburse funds to the Subgrantee in accordance with Part II upon receipt and approval by OJA of timely, properly executed requests for reimbursement."

U.S. Department of Justice Financial Guide, Part II, Chapter 3, Standards for Financial Management Systems (pg. 26) states,

"State recipients shall expend and account for grant funds in accordance with State laws and procedures for expending and accounting for their own funds. Subrecipients of States shall follow the financial management requirements imposed on them by States. (State and local procedures must ensure that subrecipients comply with the financial management standards found at 28 CFR Parts 66 and 70)"

74 O.S. 2001, § 85.44.B states:

"Payment for products or services pursuant to a contract executed by a state agency...shall be made only after products have been provided or services rendered."

The following are instances where the subrecipients submitted claims for lump sum reimbursements without any requests from OJA for support documentation of the expenditures:

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<u>Subrecipient</u>	<u>Contract #</u>	<u>Contract Amount</u>
McCurtain Co. JSU	CRL-00-564	\$ 8,852.00
McCurtain Co. JSU	CRL-01-722	8,797.00
McCurtain Co. JSU	CRL-03-632	6,349.00
Muskogee Co. Council of Youth Services	CRL-01-710	30,033.00
Muskogee Co. Council of Youth Services	CRL-00-615	33,659.00
S.E. OK Social Services	CRL-00-565	7,842.00
S.E. OK Social Services	CRL-01-710	7,794.00
S.E. OK Social Services	CRL-02-636	14,836.00
S.E. OK Social Services	CRL-03-681	8,527.00
Garvin Co. Youth Services	CRL-01-738	10,000.00
Delta Community Action	CRL-02-630	15,000.00
Cherokee Co. Commissioners	CRL-01-752	10,000.00
Cherokee Co. Commissioners	CRL-02-645	25,000.00
Cherokee Co. Commissioners	CRL-03-645	15,000.00
Cherokee Co. Commissioners	CRL-04-645	10,000.00
Rogers Co. Youth Services	CRL-00-563	11,444.00
Rogers Co. Youth Services	CRL-01-721	11,374.00
Wagoner Co. S.T.E.P.	CRL-01-751	5,000.00
Wagoner Co. S.T.E.P.	CRL-02-644	32,315.00
Wagoner Co. S.T.E.P.	CRL-03-644	10,000.00
City of Shawnee	CRL-03-589	11,398.00
City of Tulsa	CRL-00-521	297,499.00
Stillwater Police Department	CRL-01-658	13,872.00
Youth Services of Stephens Co.	CRL-00-651	12,708.00
Youth Services of Stephens Co.	CRL-01-651	10,145.00

Tulsa County Juvenile Justice Trust Authority (CRL-02-617) – The Juvenile Justice Trust Authority drew down one half (1/2) of their grant one (1) month after approval in the amount of \$137,428.50. In addition there was no documentation to support this payment.

Pottawatomie County Juvenile Detention Center (CRL-00-675) – OJA purchase order was dated on the last day of the funding period of January 31, 2001. The contract was not dated by either grantee or grantor. The subrecipient drew down \$33,042.00, in a lump sum. In addition, there was no documentation in the file to support these expenditures.

Untimely facilitation of contract approval

- Instances of contract not being signed and/or dated by OJA officials.
- Approximately 29 instances of expenses in which we were unable to determine whether they were incurred prior to a valid contract or incurred subsequent to the period of availability.

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OJA contract guidelines Part II, 29. states:

"Term of Agreement

The term of this agreement shall commence on the date of the signature of the Executive Director of the Office of Juvenile Affairs and continue through (end of funding period)."

While reviewing OJA contract files, there were instances where the contracts were not signed and/or dated by an OJA authority or the subrecipient. We relied on the purchase order date to verify if requests for reimbursement were timely and facilitated in the proper manner. We were also unable to verify whether the subrecipient attempted to submit claims for reimbursement prior to a contract in place or whether expenses were incurred subsequent to the period of availability.

As described above, Pottawatomie County Juvenile Detention Center submitted a request for the total sum of the contract in the amount of \$33,042.00. The request for reimbursement was not dated by the subrecipient. The contract was also not dated by the subrecipient or OJA. The purchase order for the total amount was dated January 31, 2001, the last day of the funding period. In addition there was not a "close-out" report submitted to OJA to disclose the status of the contract.

Wagoner Commissioners/Structured Transitional Education Program (CRL-02-644) was awarded \$32,315.00. We noted the contract was approved 28 days prior to the end of the funding period (6-30-02). The subrecipient drew down all funds on June 24, 2002 without support for its actual expenditures. In addition, the close-out report reflected the wrong amount of funding and the budget did not agree with the subrecipients proposed expenditures. In the prior grant year the same subrecipient received \$5,000.00 in a lump sum payment with the contract being approved 1 month before the funding period expired.

In some cases the untimely facilitation of contract approval aided in the overlapping of contract funding periods for the same entities. Though the practice of overlapping funding periods are not prohibited, the lack of documentation and accountability provided by the subrecipients for the purposes of grant monies make overlapping funding periods an unreliable assurance that subrecipients were reimbursed in a proper manner.

Overlapping funding periods

- Instances of overlapping contract periods, making it unclear which years contract expenses were reimbursed.

As described in our previous audit of OJA, we noted instances of overlapping contract periods that lead to duplicate payments for the same expenditures due to the disorganization of contract management. The possibility exists that duplicate payments under other contracts may have been facilitated in the same manner. From our review, we found that our prior audit findings were not an isolated incident. We noted repeated instances of overlapping contract funding periods, making it difficult to determine if the subrecipient met the matching requirements, expended within their approved budget, submitted reimbursement twice for the same expenditures and other problems that could arise from lack of effective contract management.

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Due to limited resources and time factors, we were not able to properly examine supporting documentation without going to each subrecipient's site location to verify every invoice as an allowable expenditure.

The process of overlapping funding periods is not prohibited. However, OJA should implement proper fiscal management and/or financial monitoring to ensure that there is no co-mingling of contract funds or duplication of contract expenses.

Budget Revisions not Pre-Approved by an OJA official

- Instances of budget revisions not approved by OJA.

While reviewing contract documentation, we noted that expenditures in some contracts exceeded their budget line categories while other categories were not expended as approved by OJA. Though the total grant award was not exceeded, the subrecipient must adhere to their original budget proposal unless otherwise approved by an OJA official. For example, a subrecipient spent monies on an equipment purchase when those funds were approved for another category without pre-authorization from OJA. OJA should ensure that subrecipients are expending within their approved budget categories by reviewing their monthly expenditure reports on a timely basis. This finding appears to be another factor of OJA's lack of attention to subrecipient contract files. This finding also appears to be contrary to the following requirements:

OJA contract guidelines Part II 25. states:

"a. This agreement is subject to such modification as may be required by federal or state law or regulation. Any such modification may be done unilaterally by OJA.

b. Except as otherwise provided in this agreement, the work and services to be performed and the total grant amount may be modified only upon written agreement of the duly authorized representatives of the parties.

c. Agreement modifications shall be requested by Subgrantee only during the last twenty (20) days of each quarter. Changes will become effective the following quarter.

d. A waiver by OJA of any provision of this agreement must be in writing and signed by the OJA Deputy Director or designee."

The **United States Department of Justice, Office of Justice Programs, Office of the Comptroller, Financial Guide, Part III, Chapter 5, Adjustments to Awards**, state,

"All requests for programmatic and/or administrative budget changes must be submitted in a timely manner by the recipient/subrecipient. All requests for changes to the approved award shall be carefully reviewed by the applicable authority for both consistency with this Guide and their contribution to project goals and objectives.

Notification

All recipients must give prompt notification in writing to the awarding agency of the events or proposed changes, which may require an adjustment/notification. In requesting an

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adjustment, the recipient must set forth the reasons and basis for the proposed change and any other data deemed helpful for awarding agency review."

Improper Management of JAIBG funds

- On 2 occasions checks were sent to subrecipients who had not submitted a request for reimbursement.

Canadian County Juvenile Center – FY03 JAIBG \$10,000 - We noted an OJA monitoring report which stated in its concerns:

"In March 2002, Grantee reported receiving a check from OJA in the amount of \$12,500, before the contract was actually completed. Grantee expressed confusion regarding the \$12,500. They were unsure if the funds were for services provided when the contract was not in place or whether it was for the remaining three months of the FY-2000 grant."

The grantee also expressed concerns on the amount because they had not submitted a request for reimbursement. The grantee placed the monies into a separate account until the purpose of the funds was clarified. In addition, the amount sent to the grantee was not the amount stated in the approved contract.

Tulsa County Public Defender- FY03 JAIBG \$50,140 – We noted in a response letter dated March 18, 2004 from the grantee that states:

" Payment of grant funds was offered in two forms: lump payment or twelve (12) monthly installments. I asked my court clerk, who handled our pay-roll at that time, which would be preferable. After several weeks of no answer from my court clerk, OJA sent a lump sum (unrequested) payment check in the mail with no cover letter."

From the above findings it appears that OJA did not have sufficient management or internal controls over JAIBG funds to properly maintain contract files.

No Assignment waivers to Subcontractors

- Instances where there were no assignment waivers to sub-contractors.

OJA contract requirements Part III 1 (b) states:

"b. Subcontracting of the work and services covered by this agreement is subject to review and approval by OJA at OJA discretion."

In most grant awards, the unit of local government will subcontract with or assign the project to an entity that has the resources to accomplish the programs goals as submitted in their grant application. Throughout this report, we will refer to the "subcontractors" as "service providers" and "subrecipients" as "local government" for the sake of clarity. As stated above, the local government must first submit an assignment waiver for OJA's approval. In several of the contract files reviewed, we noted approximately 9 files that did not have assignment waivers for their service providers. However, this did not impede OJA's practice of awarding payment to the local government.

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In addition, when the local governments pass through the grant funds to a service provider, the local government is also responsible for the service provider's performance and fiscal management.

OJA contract requirements, Part II, 3 (f), states:

“Subgrantee agrees to monitor all subawards for performance and fiscal integrity, including cash match. In addition, OJA will monitor all subgrantees to assure that required audits are performed.”

Furthermore, Part III 13, (a) states:

“Subgrantee expressly agrees to be solely responsible to insure that the use of monies received under this agreement complies with all federal, state, and local statutes, regulations and other legal authority, as modified from time to time, that affect the use of said monies. Subgrantee recognizes that it is responsible for assuring financial and programmatic compliance by its subcontractors. If Subgrantee wishes to subcontract all or major components of the program represented by the Plan, then the subcontract must be approved by OJA prior to its effective date.”

It appears that in most cases the local government did not monitor their service providers, but relied on OJA and the service providers to perform the duties.

Circumvented Central Purchasing Act

The provisions of 74 O.S. § 1008, allows state agencies to contract with one another for services. Such contracts are exempt from competitive bidding and oversight by the Department of Central Services. The contract between OJA and the local governments would qualify as an inter-government agreement and be exempt from the requirements of the Central Purchasing Act. However, most of the funds were actually provided to nonprofit corporations (i.e. Youth Service Agencies). Based on an interview with an OJA official, the JAIBG funds can only be provided to a governmental agency. This is the reason the contract is with counties, municipalities, etc. and not with the non-profit corporations who provide the services. OJA 's method of contracting with governmental entities effectively circumvents JAIBG and competitive bidding requirements.

Cash Match Requirements

- Instances where it was difficult to determine if the local government met a cash match.

Local government contractors are required to provide a 10% cash match for the awarded contract amount. From the documentation provided to OJA we were unable to determine if the cash match was properly met. It is apparent that the disorganization of contract files may have contributed to this finding. Inconsistencies in the submission of required reports to OJA by the local government may have also aided in the lack of accountability.

In addition, when the local governments pass-through the grant funds to a service provider, the local government is also responsible for the service provider's performance and fiscal management.

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OJA contract requirements, Part II, 3. (f), states:

"Subgrantee agrees to monitor all subawards for performance and fiscal integrity, including cash match. In addition, OJA will monitor all subgrantees to assure that required audits are performed."

Part III, 8. (b) (c) states:

"b. Subgrantee shall provide OJA timely copies of reports on any audits that include funds received from OJA.

c. In the event the audit results in the determination that the Subgrantee has expended grant funds on unallowable cost, Subgrantee shall reimburse OJA in full for all such costs on demand."

U.S. Department of Justice Financial Guide, Part III, Chapter 3, pg. 41, **Records for Match**, states,

"Recipients and their subrecipients must maintain records which clearly show the source, the amount, and the timing of all matching contributions...For all block/formula funds, the State has primary responsibility for subrecipient compliance with the requirements."

Incomplete Closeout Documentation

- Instances where "closeout" documentation was not submitted or incorrect.

OJA contract requirements, Part III, 7 (b) states:

"Subgrantee shall submit a closeout package no later than sixty (60) days after the final date of the period funded. Said closeout package may be accompanied by the final expenditure claim."

We noted 9 contracts did not have "closeout" packages to summarize their program funding and objectives.

In addition, some of the "closeout" documentation we reviewed had incorrect amounts of funding and lacked supporting documentation. If contract files had been properly maintained by OJA, the closeout packages should have been correct and current, as required by the contract, before monies were awarded again to the local governments for the next grant year.

Inadequate Monitoring of Subrecipients

- Contracts are not properly monitored to ensure monies are appropriately expended.

From contract files we noted numerous instances where grantees were not monitored as required by state and federal guidelines.

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According to **OMB Circular A-110 Subpart C_47**:

“A system for contract administration shall be maintained to ensure contractor conformance with the terms, conditions and specifications of the contract and ensure adequate and timely follow up of all purchases. Recipients shall evaluate contractor performance and document, as appropriate, whether contractors have met the terms, conditions and specifications of the contract.”

74 O.S. 2001 §85.41.D provides:

“D. A state agency shall administer, monitor and audit the professional services contract.”

In addition, the **OMB Circular A-133** states that the pass-through entity is responsible for monitoring the subrecipient’s activities to provide reasonable assurance that the local government administers federal awards in compliance with federal regulations.

OMB Circular A-133, Subpart E – Federal Agencies and Pass-Through Entities, .400, Responsibilities, Sub-Part (d),

“Pass-through entity shall perform the following for the Federal awards it makes:...(2) Advise subrecipients of requirements imposed on them by Federal laws, regulations, and the provisions of contracts or grant agreements as well as any supplemental requirements imposed by the pass-through entity. (3) Monitor the activities of subrecipients as necessary to ensure that Federal awards are used for authorized purposes in compliance with laws, regulations, and the provisions of contracts or grant agreements and that performance goals are achieved.”

Nonetheless, OJA does conduct field monitoring on a sporadic basis. A written report is issued, however it appears that the assessment is programmatic in nature and not financial related. The monitoring report evaluates data process collection, type of services performed, program goals, program outcomes, the number of clients served, comments, concerns, etc. There are two financial related areas that are addressed. They are “Are Quarterly Reports Current?” and “Do accounting practices appear to be in order?” The monitor does not typically address these areas.

During the course of our audit our office was informed that monitors do not receive the proper training to conduct financial monitoring of local government contracts. It appears OJA JAIBG field representatives and monitors only assist the local governments with programmatic issues.

Since OJA has not required local governments to submit supporting documentation with their “request for reimbursement” it would be difficult for the agency to determine if the grant funds were properly spent without conducting an annual on-site visit to visually validate the financial records. Even though the local governments are required to have an annual independent audit, we have noted that OJA does not receive all audits for review to determine if JAIBG funds have been properly accounted for.

In order to assure compliance with the above requirements, monitoring reviews should be performed during the contract period, not only programmatic in nature but also fiscal management by OJA.

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OJA has recently attempted to improve their grant monitoring and contract management process.

Onsite Service Provider Examination

A sample of service providers was selected for an on-site examination of expenditures and contract requirements. The following findings were noted:

Incentive Pay

- During an on-site examination, it was noted the service provider paid two bonuses to an employee totaling \$886.00.

While reviewing FY03 JAIBG records at Muskogee County Council of Youth Services (MCCOYS) (CRL-03-600), we noted two payments were issued to a counselor for bonuses totaling \$886.00. A Christmas bonus in the amount of \$300.00 and a performance bonus in the amount of \$586.00.

This finding is contrary to **OMB Circular A-87**. It appears OJA reimbursed MCCOYS for non-actual work hours that is outlined in **OMB Circular A-87, 11. Compensation for personnel services**, which states,

“a. General. Compensation for personnel services includes all remuneration, paid currently or accrued, for services rendered during the period of performance under Federal awards, including but not necessarily limited to wages, salaries, and fringe benefits. The costs of such compensation are allowable to the extent that they satisfy the specific requirements of this Circular, and that the total compensation for individual employees:

(3) Is determined and supported as provided in subsection h.

h. Support of salaries and wages. These standards regarding time distribution are in addition to the standards for payroll documentation.

(3) Where employees are expected to work solely on a single Federal award or cost objective, charges for their salaries and wages will be supported by periodic certifications that the employees worked solely on that program for the period covered by the certification. These certifications will be prepared at least semi-annually and will be signed by the employee or supervisory official having first hand knowledge of the work performed by the employee.

(4) Where employees work on multiple activities or cost objectives, a distribution of their salaries or wages will be supported by personnel activity reports equivalent documentation which meets the standards in subsection (5) unless a statistical sampling system (see subsection (6) or other substitute system has been approved by the cognizant Federal agency.”

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**LeFlore County Commissioners/People's Inc. Contract
(October 1, 2000 through September 30, 2001) \$115,000.00**

BACKGROUND

The Office of Juvenile Affairs (OJA) executed a contract with the LeFlore County Commissioners for "accountability based sanction for juvenile offenders, probation programs and controlled substance testing for juveniles" on March 20, 2001. The funding for the project was provided from a United States Department of Justice grant 99-JAIBG-50 in the amount of \$10,000.00. The period of availability was for the period October 1, 2000 through September 30, 2001.

The Executive Director of OJA and a LeFlore County Commissioner signed the contract on March 20, 2001. On March 29, 2001, purchase order X069103 was issued in the amount of \$10,000.00 to LeFlore Board of County Commissioners.

Subsequently, LeFlore County was awarded \$105,000.00 (challenge course - \$66,700.00; computer lab - \$33,000.00; and Graduated Sanctions supplies - \$5,000.00).

The award notification was not dated. On September 28, 2001, the contract was amended to reflect the additional funds of \$105,000.00. A LeFlore County Commissioner and the Executive Director of OJA signed the amendment. On the same date, a change order was issued changing the original purchase order from \$10,000.00 to \$115,000.00. The original purchase order and change order were both signed by an OJA purchasing officer.

CIRCUMVENTED CENTRAL PURCHASING ACT

The provisions of 74 O.S. § 1008, allows state agencies to contract with one another for services. Such contracts are exempt from competitive bidding and oversight by the Department of Central Services. The contract between OJA and LeFlore County would qualify as an inter-government agreement and exempt from the requirements of the Central Purchasing Act. However, the \$115,000.00 in funds was actually provided to People's Inc., a nonprofit corporation. JAIBG funds can only be provided to a governmental agency. This is the reason the contract is with LeFlore County and not People's Inc. It appears LeFlore County had no intent to operate the Graduated Sanctions program outlined in the contract. Therefore, OJA's method of contracting effectively circumvented JAIBG and competitive bidding requirements.

FUNDS WERE ADVANCED

On September 6, 2001, Peoples Inc. submitted a request for payment in advance for the entire award of \$115,000.00. The request was submitted prior to the issuance of the contract amendment and change order that modified the amount from \$10,000.00 to \$115,000.00. Therefore, the request for payment was submitted prior the approval of the amendment to the contract. Since the funds were provided in advance, it appears this payment was remitted to People's Inc. by OJA with no supporting documentation and no accountability.

The advancement of funds appears to be precluded by **74 O.S. 2001, § 85.44.B** and **Article X, § 15A** of the **Constitution of Oklahoma**.

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LACK OF MONITORING AND ACCOUNTABILITY

- The Contract Requisition Justification indicated the Programs Administrator would monitor the program to ensure compliance with the contract. It does not appear anyone from OJA actually monitored the contract. There were no monitoring reports in the contract file.
- There was no documentation indicating oversight by the subgrantee, LeFlore County Commissioners. We found no quarterly progress reports as required by the contract.

Part II, Section 4 of the JAIBG Subgrant Agreement provides:

“Subgrantee agrees to provide fiscal and programmatic oversight regarding this award and make quarterly progress reports to the Office of Juvenile Affairs. Progress Reports are due on fixed dates quarterly: April 15, July 15, October 15, and January 15 each year.”

- There was no documentation in the OJA contract files indicating monthly expenditure reports were submitted in accordance with the contract.

As required by Part II, Section 4 of the JAIBG Subgrant Agreement:

“Subgrantee must verify the actual cash expenditures on a monthly basis by submitting a Report of Expenditures due by the 15th of each month.”

- There was a final expenditure report submitted on June 19, 2002; however, the report was not signed by an OJA monitor indicating the report was not reviewed and approved.

The requirements for monitoring contracts and ensuring funds are used for authorized purposes is set forth in **OMB CIRCULAR A-110, 28 CFR § 66.40 and 74 O.S. 2001, § 85.41. D.**

- There was no documentation indicating the matching requirement was met. Section 3.2 of the JAIBG Guidance Manual requires the State or local government recipient of a JAIBG award contribute 10 percent of the total program cost.

EXPENDITURES SUBSEQUENT TO THE PERIOD OF AVAILABILITY

The OJA Executive Director approved the contract modification on September 28, 2001; however, the funding period of the award concluded on September 30, 2001. Therefore, funds could not have been expended within the period of availability in accordance with the provisions of the contract.

Part II of the first amendment to the agreement, dated September 28, 2001, states that the funds must be expended by September 30, 2001.

In addition Part II, Section 7 of the JAIBG Subgrant Agreement provides:

“Subgrantee must repay, not later than 90 days after the end date of the grant award, any amount that is not expended by the subgrantee and its grantees within the 12 month project and budget period.”

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Supporting documentation for the expenditures related to this contract at People's Inc was reviewed. Although expenditures related to this contract appear to have adequate supporting documentation, all expenditures related to this contract were subsequent to the period of availability. Based on the terms of the contract, it appears the subgrantee is required to repay the entire \$115,000.00. However, the contract was not authorized by OJA until September 28, 2001, this created an unrealistic situation for an entity to build a challenge course and establish a learning center in 2 days.

AWARD IN EXCESS OF MAXIMUM

The JCEC Coordinated Enforcement Plan provides in relevant part:

"Units of local government that did not qualify for a direct allocation will have the opportunity to apply for continuation JAIBG funds through a competitive grant process with a \$10,000 maximum per applicant."

Within the same document, it shows the \$105,000.00 allocation to LeFlore County. It appears the JCEC (Juvenile Crime Enforcement Coalition) allowed LeFlore County to be awarded an amount exceeding the maximum the plan established.

CONCLUSION:

We question the entire \$115,000.00 in federal funds expended for this project based on the following reasons:

- The request for payment was issued prior to a valid contract.
- The funds were advanced contrary to **74 O.S. 2001, § 85.44.B** (previously cited) and **Article X, § 15A** of the **Constitution of Oklahoma**, which provides in relevant part:

"A. Except as provided by this section, the credit of the State shall not be given, pledged, or loaned to any individual, company, corporation, or association, municipality, or political subdivision of the State..."

- Funds were expended subsequent to the period of availability. This was the effect of OJA not executing contracts in a timely manner.

RECOMMENDATIONS

Internal control procedures should also be implemented to ensure contracts are executed in a timely manner, that no services are provided prior to a written contract, that expenditures are supported by adequate documentation, and that expenditures are in compliance with contract provisions, applicable state statutes and federal regulations. These internal control procedures should include the following:

- A method of communication should be developed between financial and program staff. Financial staff should be updated on the activities of the program staff. This would assist the financial staff in confirming a contract is in place when necessary.
- Program staff should be educated on the importance of having a written contract prior to any services.

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- Additional training should be provided to financial, procurement and program staff to educate employees on federal regulations, specifically costs that are not allowable.
- The Executive Director should consider setting up a contract monitoring division. The sole purpose of these staff members would be to monitor contracts and report findings. These staff members should receive proper training in financial matters. Monitors should review for contract compliance and be able to recognize costs, which are not allowable under applicable state and federal guidelines.
- During the course of our audit, OJA assigned an employee to monitor JAIBG contracts. A system should be developed that provides follow-up on corrective action taken as a result of any findings noted by the contract monitor.
- OJA should not contract with a governmental entity that effectively circumvents the Central Purchasing Act or avoids federal requirements.

POSSIBLE FORGERY

While reviewing the documents in the contract file, there was a noticeable difference in the signatures of a Leflore County Commissioner. In an interview, the County Commissioner indicated he did not sign several of the documents containing his signature. In our previous OJA report we noted other instances in which signatures of officials appeared questionable. It appears this practice was likely an issue of convenience rather than a method for an individual to personally benefit. However, this practice may be subject to **21 O.S. 2001, § 463**.

According to **21 O.S. 2001, § 463**:

“Any person who knowingly procures or offers any false or forged instrument to be filed, registered, or recorded in any public office within the state, which instrument, if genuine, might be filed or registered or recorded under any law of this state or of the United States, shall be guilty of a felony.”

RECOMMENDATION

We recommend that the Attorney General review this finding to determine what action, if any, should be taken.

OJA (OPI) Internal Findings

In 1995 the Office of Public Integrity (OPI) was established within OJA to investigate allegations of individual contracts and conduct periodic monitoring of subrecipients. We noted OPI issued three reports of findings found in four JAIBG contracts. They are summarized as follows:

CRL-03-617 – Tulsa County Juvenile Justice Trust Authority - \$300,431.00 -

- Modification of contract by service provider without a prior written request to OJA for approval.
- Unable to verify match due to inadequate support documentation.
- Service provider “loaned” grant monies to another non-profit agency in the amount of \$33,037.93 with no supporting documentation.
- “Closeout” documentation and quarterly reports were not submitted to OJA.
- No monthly requests to OJA for reimbursement.

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- One request for reimbursement for the lump sum amount, 30 days past the 60 day limit for year-end documentation, with no support documentation or budget explanation.
- Due to delays in contract application packet submission and contract approval, a request for reimbursement contained expenses prior to contract/purchase order approval and was disallowed by the monitor.

From the above findings, OJA entered into a settlement agreement with the service provider in the amount of \$234,930.37. The difference of \$65,500.00 between the contract amount and the amount paid was for unallowed expenditures noted by the monitor.

CRL-04-617 – Tulsa County Juvenile Justice Trust Authority - \$213,478.00

- Due to delays in contract application packet submission and contract approval, a request for reimbursement contained expenses prior to contract/purchase order approval and were disallowed by the monitor.

From the above finding, OJA entered into a settlement agreement with the service provider in the amount of \$24,065.95. The difference of \$189,412.05 between the contract amount and the amount paid was for disallowed expenditures noted by the monitor.

CRL-03-611 – Tulsa County Juvenile Justice Trust Authority - \$41,860.00

- Statistics in subrecipients grant application could not be verified.
- Documentation was not maintained.
- \$25,860.00 was invoiced to OJA for counseling services without supporting documentation. Services provided were not contained in service providers files to verify actual counseling services.
- A major component of service stipulated in awarded contract was discontinued without prior approval or modification by OJA.

From the above findings, OJA entered into a settlement agreement with the service providers in the amount of \$38,834.47. The difference of \$3,025.53 between the contract amount and the amount paid was for disallowed expenditures noted by the monitor.

CRL-03-618 - Tulsa County Juvenile Gun Court Program/Tulsa County District Attorney - \$242,569.64

- Listed services to be provided (per grant application) never appeared to actually materialize.
- Lack of cohesion due to the number of different supervisors not actively involved in the program.
- Client files lacked organization and consistent documentation and accessible retrieval from the archives.
- Written progress reports were not properly documented and maintained by the service provider.
- Service provider not qualified or certified to conduct psychological testing/evaluations.
- Requests for reimbursement were submitted quarterly and not on a monthly basis, as required.
- Listed duties (per grant application) for probation officers were not being accomplished.

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OJA submitted correspondence to the service provider stating, "Within the next 45 days, OJA will conduct a follow-up visit to verify the program is operating at peak efficiency and effectiveness in order to optimize the services offered to the "high risk" juvenile population." The correspondence was dated February 4, 2004. To-date, OJA has not followed-up on the program to insure compliance as stated in their correspondence.

In addition, amounts were not quantified to determine if unallowable expenses might have been reimbursed to the service provider. From OJA's compliance report, OJA should determine if the service provider owes a refund for unallowable expenses and perform a follow-up compliance review to insure objectives are met and fiscal management is properly executed.

CRL-03-674 – Tulsa County Public Defender/Gun Court/ Tulsa County District Attorney - \$50,140.00

- For fiscal year 2002 quarterly reports and monthly expenditure reports had not been submitted to OJA, as mandated by contract.
- Closeout documentation contained several errors.
- Fiscal year 2003 quarterly reports were not submitted to OJA.
- Monthly salary payments made to the assistant public defender salary for fiscal year 2002 did not match the amount of grant funds provided to that office by OJA.

A settlement agreement was not required. After the compliance review was conducted, the service provider submitted the required documents and the public defender's salary was adjusted after further review and communication with the service provider.

Conclusion

Due to the overall condition of OJA JAIBG contract files, it was difficult to substantiate the history of the contract and what had occurred. Documents (i.e., Quarterly reports, Closeout Documents, etc.) that were required by contract had not been consistently maintained by OJA. Many of the entities had never submitted the required documents to OJA and OJA had never enforced the issue or suspended grant monies until the required documents had been submitted. OJA's JAIBG personnel began requesting these documents from prior years contracts to update their files during phase I of our audit. However, these documents should have been submitted to OJA before monies were disbursed to the service providers.

Only recently has OJA attempted to improve their grant monitoring and contract management process. To-date OJA has disbursed \$18,297,584.00 in federal JAIBG funds.

EMPLOYEE TRAVEL

OJA Graduated Sanctions Programs Division

► Graduated Sanctions Programs Description

GRADUATED SANCTIONS PROGRAM (GSP)

Graduated Sanctions, or accountability-based, sanctions program is one that individual States put in place to ensure that juveniles adjudicated delinquent receive an appropriate disposition through the juvenile courts. Inherent in graduated sanctions programs is the idea of providing swift and appropriate punishment to youth offenders based on the gravity of their offense and an assessment of the potential risk for re-offending, coupled with appropriate treatment to reduce the risk of recidivism.

A Graduated Sanctions system holds young people accountable for their actions every step of the way from the least to the most serious patterns of offending while maintaining public safety. It provides swift and sure punishment when a youngster first commits a crime followed by progressively tougher sanctions if he or she continues to offend.

Graduated Sanctions Program Employees

► Travel related issues

- **Improper travel claim filed**

An employee attempted to file a travel claim that included travel expenses that had not been incurred. The employee's supervisor signed the claim. An employee involved in processing the claim, witnessed the employee in the building at the time his claim indicated he was in Sallisaw. The alleged expense included mileage of 324 miles from Oklahoma City to Sallisaw and return. The claim was subsequently rejected.

- **Documentation indicates a Graduated Sanctions employee continued to file travel claims after being assigned a state vehicle.**

An interview with the OJA Executive Director indicated state vehicles were purchased for the three Graduated Sanctions specialists because of issues and costs related to travel claims filed by employees of this division.

OJA received the three state vehicles on February 10, 2003. According to e-mails we obtained, travel claims were questioned, by the finance department beginning on February 12, 2003. An e-mail, dated February 24, 2003, confirmed there were delays in assigning the vehicles. However, the vehicles were initially purchased for three specific employees. One employee declined the State vehicle and the employee indicated he would use his personal vehicle and not claim mileage. However, the employee continued to file mileage claims for at least 10 months after the vehicles were delivered. Based on an internal investigation the employee filed claims for mileage totaling \$6,686.51 until January 2004. Although, we were unable to determine the specific time the vehicle was available, a significant amount of mileage was reimbursed from March 2003 through December 2003. We question the mileage that was incurred after the vehicle was made available to this employee.

Since this employee did not use the vehicle for approximately 10 months we were unable to confirm the use of this vehicle since vehicle logs were not maintained.

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Vehicle logs are required by OJA Policy P-03-19-5 (2) (a), which provides:

“Accountability for state-owned vehicles mileage and expenses shall be accomplished by use of the “Monthly Operation and Cost Record” (OJA-DFS-25). The OJA-DFS-25 shall also be used for vehicles on monthly lease from the state Motor Pool. Each trip and maintenance expense shall be recorded on a same-day basis.”

While reviewing travel claims for the individual in question, we noted instances that the nature of business was not noted. There was one instance in which mileage was claimed on a Saturday; we were unable to determine if this was merely an oversight.

RECOMMENDATION

We recommend the Attorney General review this finding to determine what action, if any, is necessary.

We also recommend vehicle logs be maintained as required by OJA policies.

- **The use of a State vehicle and cellular telephone by a Graduated Sanctions employee.**

During the course of our audit a matter, involving a Graduated Sanctions employee, was brought to our attention related to the use of a State vehicle and cellular telephone. To avoid a possible duplication of effort, we referred this matter to OJA’s internal investigators, the Office of Public Integrity. The findings of the Office of Public Integrity (OPI) are summarized as follows:

- ✓ **Use of State vehicle**

Because of the lack of documentation (vehicle logs) and the lack structure of the Graduated Sanctions program, it appears OPI was unable to confirm the possible personal use of the State vehicle.

- ✓ **Use of cellular telephone**

It appears OPI was unable to confirm the possible misuse of the employee’s cellular telephone. Based on the report, the employee did utilize the cellular telephone for personal reasons and subsequently reimbursed OJA. It appears it is common practice for OJA employees to use their State issued cellular telephones for calls of a personal nature and reimburse OJA for charges incurred for personal use.

RECOMMENDATION

We recommend the Attorney General review this finding to determine what action, if any is necessary.

OTHER CONCERNS

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Numerous concerns were brought to our attention during the course of our audit. Some of the concerns were either unfounded, there was not enough documentation to draw a conclusion, or they were outside the scope of our audit. Therefore, these concerns are not addressed in the report. The following additional concerns were addressed during the course of our audit:

Were State appropriations provided to OAYS used for lobbying activities?

The definition for lobbying is set forth in **74 O.S. 2001, Ch. 62, § 257:1-1-2**, which provides in relevant part:

“...any oral or written communication with a member of the Legislature...or with an employee of the Legislature...with regard to the passage, defeat, formulation, modification, interpretation, amendment, adoption, approval or veto of any legislation, rules, regulation, executive order or any other program, policy, or position of the state government...”

Documentation indicates OAYS is involved in lobbying activities:

- It appears OAYS utilizes the services of a paid lobbyist.
- OAYS holds Legislative luncheons.

The Oklahoma Association of Youth Services receives an annual contract of \$203,000.00 from OJA. We reviewed supporting documentation related to the 2002-03 contract. Based on our review, it appears no funds related to this contract were used for lobbying activities.

While reviewing the supporting documentation related to the eight Agency contracts, we noted instances in which Agencies were reimbursed a portion of their OAYS dues. Therefore, it is possible that state appropriations could be indirectly used to fund lobbying activities. However, we found no state statute that would prohibit the use of State funds paid to a service provider for lobbying activities.

In an interview with one Youth Service Agency director, during an OAYS meeting, the Youth Service Agency directors were encouraged, by a representative of OAYS, to urge their local boards to provide them a payroll increase and for the directors to donate the increase to the OAYS political action fund. Therefore, it is possible that these pay raises could be indirectly used to fund lobbying activities. However, we found no state statute that would prohibit this use of State funds.

An organization may have obtained \$20,000.00 in federal funds under false pretenses.

An issue was brought to our attention alleging that an individual obtained \$20,400.00 in federal funds under false pretences. We subsequently discovered the Office of Public Integrity (OPI) division of OJA performed a thorough investigation concerning this matter. Circumstances surrounding this payment raised several questions regarding the legitimacy of the organization this individual was representing.

We reviewed the report issued by OPI and it appears the following issues were noted:

- The location of this organization appears to be a residence (See Exhibit 4).
- OJA personnel made numerous site visits in attempting to monitor the contract, but were provided excuses why records were unavailable.
- It appears the contractor may have submitted false information on the application.

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- It appears the contractor may have submitted forged instruments.
- It appears the contractor may have submitted false claims for reimbursement.

The penalty for submitting a false claim and submitting forged instruments is set forth in the following State statutes:

21 O.S. 2001, § 358:1501-1 provides:

“It shall be unlawful for any person, firm, corporation, association or agency to make, present, or cause to be presented to any employee or officer of the State of Oklahoma, or to any department or agency thereof, any false, fictitious or fraudulent claim for payment of public funds upon or against the State of Oklahoma, or any department or agency thereof, knowing such claim to be false, fictitious or fraudulent.”

21 O.S. 2001, § 463 provides:

“Any person who knowingly procures or offers any false for forged instrument to be filed, registered, or recorded in any public office within the state, which instrument, if genuine, might be filed or registered or recorded under any law of this state or of the United States, shall be guilty of a felony.”

RECOMMENDATION

We recommend the Attorney General review the September 19, 2002 report issued by the Office of Public Integrity to determine what action, if any, is necessary.

A Youth Service Agency was reimbursed expenses for a program that did not exist.

We obtained documentation indicating a Youth Service Agency may have been reimbursed expenses for approximately two years for a First Time Offender Program that may not have existed. This issue was disclosed in a contract assessment performed by the Office of Public Integrity.

RECOMMENDATION

We recommend the Attorney General review documentation related to this matter to determine what action, if any is necessary.

The Executive Director of OJA executed an office reorganization without Board approval.

We obtained a letter from a representative from the Attorney General's office indicating the reorganization executed by the Executive Director was within his authority.

The accountability of interest generated from federal JAIBG funds.

In December 2003, during our initial audit, we requested information to confirm that OJA had properly accounted for interest generated from federal JAIBG funds. The documentation we received did not provide the information needed to confirm that interest is properly accounted for and used in an appropriate manner. On December 16, 2004, our office again requested the financial accounting for the JAIBG funds from the Federal Financial Accountant. The Federal Financial Accountant emailed our office the same day and stated that she would try to get the

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information to us by the "first of next week". To-date we have not received the information we have requested.

As required by the JAIBG Guidance Manual, Section 4.1 State Trust Fund Requirement"

"A State that receives a grant award under the JAIBG program must establish an interest-bearing trust fund to deposit program funds. For purposes of the JAIBG program, a trust fund is defined as an interest-bearing account that is specifically designated for this program. The State must use the amounts in the trust fund (including interest) during a period not to exceed 24 months from the date of the award...The funds may be used only for application in the 12 month program purpose areas and for authorized program administration purposes. This fund may not be used to pay debts incurred by other activities beyond the scope of the JAIBG program....Funds awarded to units of local government should be retained in the State trust fund and distributed to the local level as obligations are incurred.

In order to be in compliance with the State trust fund requirement, a recipient's account must include the following features:

1. The account must earn interest.
2. The recipient must be able to account for the Federal award amount.
3. The recipient must be able to account for the local match amount.
4. The recipient must be able to account for the interest earned."

The Office of Public Integrity (OPI) reports to the Executive Director of OJA.

During the course of our audit, we observed that the Office of Public Integrity (OPI) reports to the Executive Director of OJA. OPI functions as an internal investigative/audit unit within the OJA. The practice of OPI reporting to the Executive Director appears to inhibit the independence of OPI.

RECOMMENDATION

If OJA utilizes the Office of Public Integrity in an internal auditing function, we recommend OPI report directly to the OJA Board or an audit committee.

OVERALL RECOMMENDATION

The majority of findings noted in this report relate to dollar amounts that may have been wrongfully reimbursed by OJA; therefore, we recommend the Attorney General review these findings to determine any legal actions that may be warranted, as well as civil actions that may be necessary to recover any of the questioned costs.

* * * *

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Throughout this report there are numerous references to state statutes and legal authorities, which appear to be potentially relevant to issues raised and reviewed by this Office. The State Auditor and Inspector has no jurisdiction, authority, purpose or intent by the issuance of this report to determine the guilt, innocence, culpability or liability, if any, of any person or entity for any act, omission, or transaction reviewed and such determinations are within the exclusive jurisdiction of regulatory law enforcement, and judicial authorities designated by law.

The inclusion of cites to specific Statutes or other authorities within this report does not, and is not intended to, constitute a determination or finding by the State Auditor and Inspector that OJA or any of the individuals named in this report or acting on behalf of OJA have violated any statutory requirement or prohibition imposed by law. All cites and/or references to specific legal provisions are included within this report for the sole purpose of enabling the Administration and other interested parties to review and consider the cited provisions, independently ascertain whether or not OJA policies, procedures or practices should be modified or discontinued, and to independently evaluate whether or not the recommendations made by this Office should be implemented.

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**EXHIBIT 1
Senate Bill 1164**

<h2 style="margin: 0;">An Act</h2>	
ENROLLED SENATE BILL NO. 1164	By: Haney and Hobson of the Senate and Mass and Bonny of the House
<p>An Act relating to the Office of Juvenile Affairs; authorizing certain requests for exemptions from expenditure limitations and budgetary limitations; requiring certain procedures; requiring certain filings; requiring certain approvals; requiring written notice; amending Section 2 of Enrolled Senate Bill No. 1165 of the 2nd Session of the 48th Oklahoma Legislature, which relates to budgetary limitations; modifying budgetary limitations; prohibiting reallocation of certain funds; providing exception; providing an effective date; and declaring an emergency.</p>	
<p style="text-align: center;">BE IT ENACTED BY THE PEOPLE OF THE STATE OF OKLAHOMA:</p> <p>SECTION 1. A. The Director of the Office of Juvenile Affairs may request that receipt and expenditure of unanticipated federal funds awarded after July 1, 2002, be exempt from expenditure limitations and from budgetary limitations.</p> <p>1. The Director shall make a request for exemption to the Director of State Finance in writing and file a revised budget work program.</p> <p>2. The Director shall also file copies of the request for exemption and budget work program revisions with the Joint Legislative Committee on Budget and Program Oversight created by Section 41.47 of Title 62 of the Oklahoma Statutes. The Committee shall notify the Director of State Finance of any noncompliance of the request with legislative intent within twelve (12) calendar days of the Committee's receipt of the exemption request.</p> <p>B. The Director of State Finance shall approve the request for exemption unless both the Chair and Vice Chair of the Joint Legislative Committee on Budget and Program Oversight provide written notification to the Director of State Finance within twelve (12) calendar days of the Committee's receipt of the exemption request that the exemption subverts the intention and objectives of the Legislature in establishing the original limit. The Director of State Finance shall give written notice of approval or disapproval</p>	

of each exemption to the agency, the Governor and the Chair and Vice Chair of the Joint Legislative Committee on Budget and Program Oversight within eighteen (18) calendar days of receiving the request.

SECTION 2. AMENDATORY Section 2 of Enrolled Senate Bill No. 1165 of the 2nd Session of the 48th Oklahoma Legislature, is amended to read as follows:

Section 2. For the fiscal year ending June 30, 2003, the Office of Juvenile Affairs shall budget all funds in the following categories and amounts:

Category	Appropriation	Total
Administration	\$ 5,591,347.00	\$ 5,888,147.00
Santa Claus Commission	0.00	16,252.00
OJJDP	115,653.00	2,500,000.00
Residential Services	43,545,227.00	50,085,683.00
Nonresidential Services	31,729,608.00	38,560,743.00
	31,252,934.00	38,184,069.00
Community Youth Services Agencies	21,377,768.00	21,477,768.00
	21,854,442.00	21,854,442.00
JAIBG	8,925.00	5,000,000.00
TOTAL	\$102,368,528.00	\$123,528,593.00

The agency shall develop outcome-based performance measures for each budget category.

No amount of the funds budgeted pursuant to this section for Community Youth Services Agencies may be reallocated, reduced or expended for any other purpose except as provided herein. Provided, in the event of a revenue failure, funds budgeted for Community Youth Services Agencies CARS (Community At Risk Services) Program, may be reduced in the same proportion as the total revenue reduction experienced by the Office of Juvenile Affairs.

SECTION 3. This act shall become effective July 1, 2002.

SECTION 4. It being immediately necessary for the preservation of the public peace, health and safety, an emergency is hereby declared to exist, by reason whereof this act shall take effect and be in full force from and after its passage and approval.

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EXHIBIT 2

<i>Community At-Risk Service Referral and Authorization</i>	
To: Agency: _____	
Agency Location: _____ Attn: _____	
CLIENT INFORMATION	
Last Name: _____ First Name: _____ MI: <u>E</u>	
Gender: <input type="checkbox"/> M <input checked="" type="checkbox"/> F Race: <input checked="" type="checkbox"/> W <input type="checkbox"/> B <input type="checkbox"/> H <input type="checkbox"/> AI <input type="checkbox"/> Other DOB: _____	
Address: _____ City: _____, OK	
Zip: _____ Phone: 1) _____ 2) _____	
Parent/Guardian Name: _____	
SSN: _____ Jolts No: _____	
Does Client Now Have an Active Medicaid Case? <input type="checkbox"/> Yes <input type="checkbox"/> No <small>Checked to see if client received Medicaid</small>	
If Yes, Medicaid Number: _____	
*No, Does it Appear the Client is Medicaid Eligible: <input type="checkbox"/> Yes <input type="checkbox"/> No	
REFERRAL DATA	
Referral Date: <u>06-19-02</u> Requested Implementation Date: <u>06-19-02</u>	
Current Placement: _____ Release Date: _____	
Referral Type: <input checked="" type="checkbox"/> Initial <input type="checkbox"/> Extension <input type="checkbox"/> Change <input type="checkbox"/> Notice to Terminate	
Referral Source: <input checked="" type="checkbox"/> OJA <input type="checkbox"/> Juvenile Bureau	
Status: <input type="checkbox"/> Pre Court <input checked="" type="checkbox"/> Probation <input type="checkbox"/> Custody <input type="checkbox"/> Youthful Offender	
Adjudication: <input type="checkbox"/> None <input checked="" type="checkbox"/> INS <input type="checkbox"/> Del <input type="checkbox"/> Dep	
STARS Referral: <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No	
RISK ASSESSMENT	
Risk Score: Initial Assessment <input type="checkbox"/> Low <input checked="" type="checkbox"/> Medium <input type="checkbox"/> High	
Re-Assessment <input type="checkbox"/> Low <input type="checkbox"/> Medium <input type="checkbox"/> High	
Estimated Length of Service: <input type="checkbox"/> Low (3 Months) <input type="checkbox"/> Medium (6 Months) <input type="checkbox"/> High (9 Months)	
JSU TREATMENT INPUT	
Special Issues: _____	
<input type="checkbox"/> Sex Offender Issues <input type="checkbox"/> Drug/Alcohol Issues <input type="checkbox"/> Other: _____	

Provide Input Regarding Any Issues, Goals, Objectives And/or Activities Which May Be Pertinent to the Development of the Youth's Care/Medicaid Behavioral Health Outpatient Treatment Plan:	
1)	_____
2)	_____
3)	_____
4)	_____
5)	_____
6)	_____
7)	_____
8)	_____
<input type="checkbox"/> Independent Living Subsidy Requested (Not to Exceed Nine Months)	
SERVICE TERMINATION	
For Terminations Only:	
Were Services Completed: <input type="checkbox"/> Yes <input type="checkbox"/> No	
If not, explain: _____	
SIGNATURES / AUTHORIZATION OF SERVICES	
JSU Worker (Print Name): _____	Phone: _____
JSU Worker Signature: _____	Date: <u>6-19-02</u>
JSU Supervisor Signature: _____	Date: <u>6-19-02</u>

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EXHIBIT 3

Service Date	Service Provided	Billing Hours	Billing Amount
3/10/2003	Paraprofessional Services	10.0	\$150.00
3/10/2003	Paraprofessional Services	11.0	\$165.00
3/10/2003	Paraprofessional Services	6.0	\$90.00
3/10/2003	Paraprofessional Services	10.0	\$150.00
3/10/2003	Paraprofessional Services	6.0	\$90.00
		43.0	\$645.00

Service Date	Service Provided	Billing Hours	Billing Amount
5/12/2003	Paraprofessional Services	7.0	\$105.00
5/12/2003	Paraprofessional Services	7.0	\$105.00
5/12/2003	Paraprofessional Services	7.0	\$105.00
5/12/2003	Paraprofessional Services	9.0	\$135.00
5/12/2003	Paraprofessional Services	10.0	\$150.00
		40.0	\$600.00

Service Date	Service Provided	Billing Hours	Billing Amount
3/19/2003	Paraprofessional Services	13.0	\$195.00
3/19/2003	Paraprofessional Services	12.0	\$180.00
3/19/2003	Paraprofessional Services	8.0	\$120.00
3/19/2003	Paraprofessional Services	12.0	\$180.00
3/19/2003	Paraprofessional Services	13.0	\$195.00
3/19/2003	Paraprofessional Services	3.0	\$45.00
3/19/2003	Paraprofessional Services	13.0	\$195.00
		74.0	\$1,110.00

Service Date	Service Provided	Billing Hours	Billing Amount
5/21/2003	Paraprofessional Services	9.0	\$135.00
5/21/2003	Paraprofessional Services	8.0	\$120.00
5/21/2003	Paraprofessional Services	8.0	\$120.00
5/21/2003	Paraprofessional Services	7.0	\$105.00
5/21/2003	Paraprofessional Services	6.0	\$90.00
5/21/2003	Paraprofessional Services	8.0	\$120.00
5/21/2003	Paraprofessional Services	10.0	\$150.00
5/21/2003	Paraprofessional Services	6.0	\$90.00
		62.0	\$930.00

Service Date	Service Provided	Billing Hours	Billing Amount
3/27/2003	Paraprofessional Services	8.0	\$120.00
3/27/2003	Paraprofessional Services	10.0	\$150.00
3/27/2003	Paraprofessional Services	5.0	\$75.00
3/27/2003	Paraprofessional Services	5.0	\$75.00
3/27/2003	Paraprofessional Services	8.0	\$120.00
3/27/2003	Paraprofessional Services	2.0	\$30.00
3/27/2003	Paraprofessional Services	4.0	\$60.00
		42.0	\$630.00

Service Date	Service Provided	Billing Hours	Billing Amount
5/24/2003	Paraprofessional Services	8.0	\$120.00
5/24/2003	Paraprofessional Services	9.0	\$135.00
5/24/2003	Paraprofessional Services	9.0	\$135.00
5/24/2003	Paraprofessional Services	9.0	\$135.00
5/24/2003	Paraprofessional Services	9.0	\$135.00
		44.0	\$660.00

Service Date	Service Provided	Billing Hours	Billing Amount
3/31/2003	Paraprofessional Services	8.0	\$120.00
3/31/2003	Paraprofessional Services	1.0	\$15.00
3/31/2003	Paraprofessional Services	5.0	\$75.00
3/31/2003	Paraprofessional Services	5.0	\$75.00
3/31/2003	Paraprofessional Services	5.0	\$75.00
3/31/2003	Paraprofessional Services	6.0	\$90.00
3/31/2003	Paraprofessional Services	6.0	\$90.00
3/31/2003	Paraprofessional Services	11.0	\$165.00
		47.0	\$705.00

Service Date	Service Provided	Billing Hours	Billing Amount
5/28/2003	Paraprofessional Services	9.0	\$135.00
5/28/2003	Paraprofessional Services	7.0	\$105.00
5/28/2003	Paraprofessional Services	9.0	\$135.00
5/28/2003	Paraprofessional Services	3.0	\$45.00
5/28/2003	Paraprofessional Services	6.0	\$90.00
5/28/2003	Paraprofessional Services	5.0	\$75.00
5/28/2003	Paraprofessional Services	3.0	\$45.00
5/28/2003	Paraprofessional Services	2.0	\$30.00
5/28/2003	Paraprofessional Services	5.0	\$75.00
5/28/2003	Paraprofessional Services	6.0	\$90.00
		58.0	\$825.00

Service Date	Service Provided	Billing Hours	Billing Amount
4/14/2003	Paraprofessional Services	7.0	\$105.00
4/14/2003	Paraprofessional Services	8.0	\$120.00
4/14/2003	Paraprofessional Services	10.0	\$150.00
4/14/2003	Paraprofessional Services	7.0	\$105.00
4/14/2003	Paraprofessional Services	12.0	\$180.00
		44.0	\$660.00

Service Date	Service Provided	Billing Hours	Billing Amount
5/29/2003	Paraprofessional Services	4.0	\$60.00
5/29/2003	Paraprofessional Services	2.0	\$30.00
5/29/2003	Paraprofessional Services	9.0	\$135.00
5/29/2003	Paraprofessional Services	9.0	\$135.00
5/29/2003	Paraprofessional Services	9.0	\$135.00
5/29/2003	Paraprofessional Services	11.0	\$165.00
		44.0	\$660.00

**OKLAHOMA OFFICE OF JUVENILE AFFAIRS
SPECIAL INVESTIGATIVE AUDIT REPORT
FISCAL YEAR ENDING JUNE 30, 2003**

EXHIBIT 4



**OKLAHOMA OFFICE OF JUVENILE AFFAIRS
SPECIAL INVESTIGATIVE AUDIT REPORT
FISCAL YEAR ENDING JUNE 30, 2003**

EXHIBIT 5

OKLAHOMA ASSOCIATION OF YOUTH SERVICES, INC.
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2003

Changes in Unrestricted Net Assets:

Revenues:

Contributions	\$ 2,000
Membership dues	178,588
Registration fees	9,300
Agency fees	10,250
Special events	6,811
Office of Juvenile Affairs	203,000
Department of Human Services	122,358
Interest income	176
Other income	<u>9,000</u>

Total Unrestricted Revenues 541,483

Expenses:

Payroll	189,388
Payroll taxes	16,804
Employee benefits	19,952
Office expense	15,922
Special issues and programs	28,265
Professional fees	1,396
Travel expenses	69,753
Depreciation	7,924
Contractual services	91,900
Telephone	16,433
Insurance	5,978
Contributions expense	1,850
Memberships	250
Public awareness	3,286
Office rent	<u>36,000</u>
Total Expenses	<u>505,101</u>

Increase (decrease) in unrestricted net assets 36,382

Changes in temporarily restricted net assets:

Changes in permanently restricted assets:

Increase (decrease) in net assets 36,382

Net assets at beginning of year 122,406

Net Assets at end of year \$ 158,788

The accompanying financial statements are an integral part of these financial statements.

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