

State of Rhode Island and Providence Plantations

Department of Administration
BUREAU OF AUDITS
One Capitol Hill
Providence, Rhode Island 02908-5889
TEL #: (401) 574-8170

March 29, 2016

Ms. Jamia R. McDonald
Chief Strategy Officer
Department of Children, Youth and Families
Rhode Island Executive Office of Health and Human Services
101 Friendship Street
Providence, Rhode Island 02903

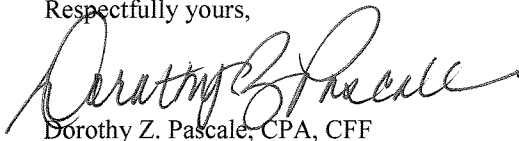
Dear Ms. McDonald:

The Bureau of Audits has completed its contract compliance audit of the State of Rhode Island vendor, Rhode Island College. The purpose of the engagement was to determine Rhode Island College expensed funds in accordance with State contract requirements. The audit was conducted in accordance with Rhode Island General Law (RIGL) §35-7-3. The recommendations included herein have been discussed with members of management, and we considered their comments in the preparation of this report.

Rhode Island General Law §35-7-3(b), entitled *Audits performed by bureau of audits*, states that, "Within twenty (20) days following the date of issuance of the final audit report, the head of the department, agency or private entity audited shall respond in writing to each recommendation made in the final audit report." Accordingly, management submitted its response to the audit findings and recommendations on March 28, 2016, and such response is included in this report. Pursuant to this statute, the Bureau may follow up regarding recommendations included in this report within one year following the date of issuance.

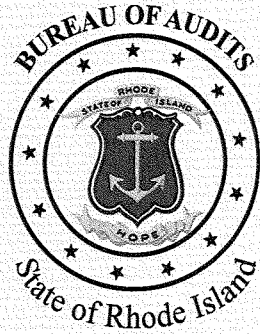
We would like to express our sincere appreciation to the staff of Rhode Island College and the Department of Children, Youth and Families for the cooperation and courtesy extended to the members of our team during the course of this audit.

Respectfully yours,



Dorothy Z. Pascale, CPA, CFF
Chief

c—Michael DiBiase, Director, Department of Administration
Elizabeth Roberts, Secretary, Executive Office of Health and Human Services
Honorable Daniel DaPonte, Chairperson, Senate Committee on Finance
Honorable Raymond Gallison, Chairperson, House Finance Committee



Executive Summary

Why the Bureau Did This Review

This limited scope vendor compliance audit was conducted as a result of the increased risk of vendor oversight noted in our July 30, 2015, DCYF Procurement and Contract Management Controls audit report.

Background Information

Rhode Island College's Child Welfare Institute (CWI) was established in 2001 by an agreement between the Rhode Island College of Social Work and the Department of Children, Youth and Families (DCYF). The CWI provides training, consultation, research and program planning to DCYF for reimbursement based on several interagency agreements.

The Bureau of Audits recommends the Department of Children, Youth and Families:

- Reimburse Rhode Island College \$226,753.42 for unpaid billings applicable to the Interagency Cooperative Agreements for Collaborative Training and Activities.
- Recover unallowable expenses of \$20,984.0 from Rhode Island College for the System of Care Memorandum of Agreements.
- Confirm the return of \$20,000 unused grant funds from Rhode Island College to the Rhode Island Foundation.

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Introduction

This limited scope vendor compliance audit was conducted as a result of the increased risk to vendor oversight as noted in our July 30, 2015, DCYF Procurement and Contract Management Controls audit report. This audit report addresses control and compliance issues noted between DCYF and Rhode Island College. The Bureau discussed its findings and recommendations with DCYF and Rhode Island College and considered their comments in preparation of this report.

Rhode Island College's Child Welfare Institute (CWI) was established in 2001 by an agreement between the Rhode Island College of Social Work and the Department of Children, Youth and Families (DCYF). The CWI provides training, consultation, research and program planning to DCYF for reimbursement based on interagency agreements. The agreements during 2013, 2014 and 2015 included providing collaborative training and activities, system of care training, and serving as fiscal agent for DCYF.

Recommendations and Management Responses

Reimburse Rhode Island College for Interagency Cooperative Agreement

Interagency Cooperative Agreements for Collaborative Training and Activities were undertaken by the Rhode Island Department of Children, Youth and Families (DCYF) and Rhode Island College (RIC) for the fiscal years 2013, 2014 and 2015. RIC agreed to provide services set forth in the Child Welfare Training Institute Notice of Price Agreement between RIC and DCYF. RIC charged DCYF on a cost-reimbursement basis for a total amount not to exceed:

\$771,948.06	Fiscal year 2013
\$775,948.06	Fiscal year 2014
\$796,672.82	Fiscal year 2015

DCYF has not reimbursed RIC the correct amount of allowable contract expenses, totaling \$226,753.42, in fiscal years 2014 and 2015 as detailed in Appendix I. Although RIC exceeded the budget in fiscal year 15 by \$54,352.33, it did not bill DCYF \$23,465.75 to meet the total contract amount. This has occurred due to inadequate contract management and monitoring practices at DCYF and insufficient follow up by RIC of contract reimbursement billings to DCYF.

Recommendation:

- 1.) Reimburse RIC for unpaid billings totaling \$226,753.42 in FY 14 and FY 15, plus any additional expenses incurred but not previously billed, up to the contract maximum.

Management's Response: DCYF will work with RIC to validate invoices and process for services rendered for remaining unpaid billings. DCYF has already developed active contract management tools and resources to ensure proper monitoring and financial controls for contracts and interagency agreements with the department.

Responsible Party: DCYF Grants Manager/CFO

Anticipated Completion Date: May 1, 2016

Recoup Unallowable Expenses

The System of Care Memorandum of Agreement was for RIC to serve as fiscal agent to DCYF, and also to provide training related to System of Care Phase I Family Care Partnerships (FCCP) and Phase II (Networks of Care). Services included in the agreement were for RIC to initiate payments, develop and deliver material, collect data, maintain documentation, etc. RIC would provide an invoice for project expenses bi-monthly accompanied by confirmation of related expenses. Project funding was not to exceed \$100,000 for fiscal years 2013, 2014, and 2015 respectively.

DCYF over-reimbursed RIC an excess of \$20,984.13.¹ This excess is comprised of the following:

- 1.) \$15,444.30 for consultant travel, conferences and food not identified in the agreement
- 2.) \$5,248 due to an erroneous journal entry for an expense already paid
- 3.) \$291.83 for indirect costs in excess of the allowable 4% rate in the agreement

This was caused by inadequate contract management and monitoring practices at DCYF and submission of billings by RIC not in conformance with the agreement budget line items.

Recommendation:

- 2.) Recover unallowable expenses of \$20,984.03 from RIC.

Management's Response: DCYF will work with RIC and the Rhode Island Foundation to return unused funds. To address this issue prospectively, DCYF management, including its newly-formed grants division, will continue to tighten its fiscal controls. This will include formalizing and codifying in practice procedures involving the review, approval, management, and tracking of all grant funds and grant-related activities administered by DCYF.

Responsible Party: DCYF Grants Manager/CFO

Anticipated Completion Date: May 1, 2016, for return of funds; July 1, 2016 to formalize grant review and tracking procedures.

¹ Refer to Appendix II for additional details.

Return Unused Grant Funds to Rhode Island Foundation

DCYF applied and received two System of Care Transformation Grants from the Rhode Island Foundation, with RIC serving as fiscal agent for DCYF. These grants were for consultants to provide training services and totaled \$50,000² for the period September 9, 2013, through September 9, 2014, and \$20,000 for the period November 1, 2014, through October 31, 2015.

The \$20,000 grant award was not spent during the agreement period November 1, 2014, to October 31, 2015. RIC did not perform the services described in the grant award and stated that DCYF had requested cessation of all System of Care activity. The award states that the grantee agrees to expend funds for the purposes stated, and funds not used will be repaid to the Rhode Island Foundation.

Recommendation:

3.) Confirm the return of unused funds totaling \$20,000 to the Rhode Island Foundation.

Management's Response: DCYF will confirm the return of unused funds totaling \$20,000 by RIC to the Rhode Island Foundation.

Responsible Party: DCYF Grants Manager/CFO

Anticipated Completion Date: May 1, 2016

Objective and Scope

The Bureau of Audits (Bureau) conducted a limited scope audit of Rhode Island College (RIC), Child Welfare Institute. The purpose of this engagement was to determine if RIC was expending funds in accordance with agreements with DCYF for services provided during fiscal years 2013, 2014 and 2015.

Methodology

To address the vendor compliance audit objective, the Bureau performed the following:

- Interviewed RIC financial and program staff.
- Examined agreements between DCYF and RIC.
- Reviewed reimbursements made by DCYF to RIC.
- Tested sample of expenses and payroll for compliance with agreement stipulations and adequate supporting documentation.
- Analyzed fiscal agent transactions related to DCYF.

² The \$50,000 grant award was spent in accordance with the agreement.

Appendix I- Interagency Cooperative Agreements for Collaborative Training and Activities Expense

	<u>Fiscal Year 2014</u>			<u>Fiscal Year 2015</u>			<u>Totals</u>
	<u>Budget</u>	<u>Actual</u>	<u>Difference</u>	<u>Budget</u>	<u>Actual</u>	<u>Difference</u>	
Total Expenses	\$ 775,948.06	\$ 767,997.97	\$ 7,950.09	\$ 796,672.82	\$ 851,025.15	\$ (54,352.33)	
Reimbursed by DCYF		\$ 675,833.32			\$ 638,618.40		\$ 1,314,451.72
Outstanding Billings To DCYF		\$ 92,164.55			\$ 134,588.67		\$ 226,753.22
Total		\$ 767,997.87			\$ 773,207.07		\$ 1,541,204.94

Appendix II- System of Care Agreements- Summary of Unallowable Expenses

	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>Total</u>	<u>Explanation</u>
Consultants		\$5,248.00		\$ 5,248.00	Erroneous journal entry made for expenses paid through RI Foundation Grant
Travel - Other	\$11,393.61	\$ 1,562.50		\$12,956.11	Not listed in agreement budget, RIC considered part of other line items in budget
Food - Meetings	\$ 417.00			\$ 417.00	Not listed in agreement budget, RIC considered part of other line items in budget
Conferences - Sponsored	\$ 1,200.00			\$ 1,200.00	Not listed in agreement budget, RIC considered part of other line items in budget
Conferences - Staff	\$ 871.19			\$ 871.19	Not listed in agreement budget, RIC considered part of other line items in budget
F+A-Indirect	\$ 141.34	\$ 132.17	\$ 18.32	\$ 291.83	4% rate per agreement but amount charged exceeded 4%
Total	\$14,023.14	\$6,942.67	\$18.32	\$20,984.13	