

Secretary of State Audit Report

Kate Brown, Secretary of State

Gary Blackmer, Director, Audits Division



Oregon Youth Authority: Questioned Costs for Community Reintegration Services

Summary

The Oregon Youth Authority (OYA) was established to administer youth correctional facilities and programs in the state of Oregon. OYA is responsible for protecting the public and reducing crime by holding juvenile offenders accountable and providing opportunities for reform in safe environments. The community reintegration program was created to help youths learn better social attitudes and behaviors with the help of community providers.

In August 2012, OYA requested the Audits Division perform an audit of billings submitted by five community reintegration services providers after an internal investigation revealed questionable billing practices on the part of the providers. We reviewed provider billings for a seven-month period from January through July 2012 and identified approximately \$23,800 in questioned costs comprised of:

- \$13,600 for overstated hours and overlapping clients;
- \$ 4,000 due to contract violations; and
- \$ 6,200 of unsupported provider payments.

Several factors created an environment that contributed to the over-billings by contractors:

- weak internal controls in OYA's processes to monitor provider billings
- ill defined roles and responsibilities for juvenile parole and probation officers (JPPOs)
- lack of training/guidance for JPPOs' monitoring responsibilities
- nonspecific expectations/requirements for services in providers' contracts.

OYA is working with the providers to recover some of these questioned payments.

We also identified approximately \$16,000 in payments to providers for time spent with youths exceeding OYA's weekly threshold. Although this threshold was not implemented during the period we reviewed, the identified amount is an indication of potential savings had the threshold been implemented.

Agency Response

The agency response is attached at the end of the report.

Background

The Oregon Youth Authority (OYA) was established on January 1, 1996, to administer youth correctional facilities and programs with a tiered system of sanctions, and lead the development of a coordinated statewide juvenile system. OYA serves the state's youth offenders ages 12 through 24 who commit crimes before their 18th birthday. As of July 2013 there were 1,665 youths in OYA custody of which 1,002 were on parole or probation and 663 were in closed custody.

OYA is responsible for protecting the public and reducing crime in two ways: by holding juvenile offenders accountable; and by providing opportunities for reform in safe environments. This includes the supervision and management of youth correctional facilities, state youth probation and parole services, residential treatment in the community, and other related programs. OYA also provides funding for community-delivered delinquency prevention and intervention initiatives.

Treatment and community services are primarily used to reduce crime by addressing the risk and needs of each youth offender, by supporting juvenile crime prevention efforts, and by seeking program and service improvements through research and quality assurance. Treatment services help individuals acknowledge accountability, learn better social attitudes and behaviors, avoid risky thinking and actions, and engage in reform.

OYA writes an average of 750 contracts and amendments annually, including contracts with providers of food and clothing, residential treatment, community treatment, and county juvenile services. OYA engages contractors for services its employees cannot perform, specialized short-term needs, or those services contractors can deliver more cost-effectively.

OYA contracts with 15 community providers in four counties for coordinated services to help youths successfully reintegrate into the community. OYA's juvenile parole and probation officers (JPPO) work with multidisciplinary teams including the families, OYA transition specialists, treatment providers, schools, and foster homes to teach the youth pro-social behavior. The program encourages youth to become positive members of their community by promoting education, employment and constructive social activities.

In early 2012 OYA Professional Standards Office (PSO) staff began reviewing reintegration contract provider billings. Upon closer examination, the PSO staff became aware of multiple issues regarding some of the providers' activities, such as billing for excessive time spent with a youth. The most extreme case involved a single 11-hour visit in one day. The PSO staff also had concerns about the JPPOs' approvals of the questionable hours. In August 2012, OYA requested the Audits Division to perform an audit of the billings and supporting activity logs for selected providers.

Audit Results

Questionable billings

We reviewed billings and the related activity logs from January through July 2012 for five community reintegration providers. We identified approximately \$13,600 in over-billings and about \$4,000 billed for activities that were in violation of contract terms for this seven month period.

Over-billings

Over-billings consist primarily of overstated hours and overlapping youth clients. We characterized overstated hours as instances in which the number of hours billed did not agree to the time frame reported. For example, four hours were billed; however, the time frame reported was 11:00 am to 2:00 pm, only three hours. We saw a predominance of similar discrepancies across four of the five providers reviewed. We questioned approximately \$2,700 for overstated hours.

We characterized overlapping clients as instances in which a single provider submitted activity logs indicating he or she was with two or more youths in different locations at the same time or double billed when with two youth at the same place and time. In addition to the overstated hours noted above, we saw a frequency of overlapping clients. We questioned approximately \$9,500 due to this issue.

In addition, one provider, who was employed full-time by another employer, billed OYA for services provided during the provider's normal work schedule. Once OYA discovered these circumstances, OYA suspended the provider's contract pending further investigation. We identified approximately \$1,400 in questionable billings during the provider's normal work schedule of 8:00 to 5:00pm, Monday through Friday.

Contract term violations

OYA's community reintegration contract reads that services may only be provided by the provider or an approved subcontractor, and the youth must be present for most types of services. Also, prior approval is required for a provider to attend court hearings and the JPPO must specifically request provider transportation for the youth. We questioned approximately \$1,500 for services provided by an unapproved subcontractor and about \$2,100 billed when the youth was not present for particular services or was with another service provider, such as a counselor. In addition, providers billed about \$400 to attend court hearings with no prior written approval or to provide transportation in the absence of a specific request from the JPPO.

Questionable activity logs

OYA requires providers to prepare and submit detailed monthly activity logs describing the services provided in each session with each youth. Of the activity logs submitted by the providers for the period reviewed, we noted several instances of excessive hours and cases when the detailed activity log appeared to be a duplicate from another youth with only the names replaced.

Excessive hours

According to OYA's contract administrator, one-on-one in-person sessions with youths are typically one to two hours in duration and are conducted in a variety of settings, such as the youth's home, a community center, restaurant or school. However, we identified numerous individual sessions that lasted upward of four hours. For example, we identified the following instances for which providers billed OYA:

- Ten hours to accompany two youths to a Portland Trail Blazer game;
- Seven hours to assist a youth deposit a check, pick up the youth's work schedule, and have dinner with the youth's family;
- Six hours watching three school basketball games and three hours to accompany the youth to church;
- Six and a half hours watching the youth play soccer and rugby;
- Eight hours when two youths were helping individuals move; and
- Several instances when the provider billed for time while the youth volunteered or participated in group recreation at a local youth center.

OYA provided updated community reintegration contract overview training to field supervisors and JPPOs from July 2012 through January 2013. Community reintegration providers received training on contract requirements and expectations from July through September 2012. The training communicated that no more than five hours per week should be spent with each youth given that the purpose of the program is for youth to become self-reliant in a positive manner. However, the five-hour maximum was not incorporated into the contract terms. We identified approximately \$16,000 in potential savings for services exceeding five hours per week had this criterion been implemented during the seven-month period reviewed.

Duplicate narratives

One provider appeared to submit the same detailed activity log for several youths by changing only the youth's name and dates. In some cases, the detailed narrative discussed a youth other than the one identified in the activity log's heading. As a result, it is difficult to determine whether services were provided as reported.

Internal Controls

During our audit, we reviewed OYA's policies and procedures, training materials, provider contracts and the JPPO position description as they pertained to the community reintegration program. We also reviewed OYA's internal reports and accompanying documentation of interviews with JPPOs. Based on our review, we identified three key internal control weaknesses: 1) vague or overly broad contract language; 2) a lack of required supporting documentation from providers; and 3) ill defined JPPO roles and responsibilities and a lack of training in relation to the program.

Unclear contract language

OYA's community reintegration provider contract identified three service categories: skills training, service coordination and gang intervention. Skill training encompasses employment assistance, education assistance, and other skills. Service coordination addresses transition planning meetings, working with multi-disciplinary teams, and case planning meetings. Only two activities are explicitly limited: transporting youths to appointments except at the request of a JPPO; and attending court hearings except with prior written approval from OYA. Activities that could fall under skills training and gang intervention descriptions are broad and open to interpretation. Specifically identifying in the contract those activities or services that do or do not reasonably promote skill building or provide direct instruction could reduce future questioned costs and align services more closely with program objectives.

OYA's community reintegration training materials provide guidance that is more specific than the contract terms. Per the training, services hours are limited to five hours per week. Hours over this limit must be requested by the JPPO or Transition Specialist and receive prior approval from the Office of Minority Services Manager or Field Supervisor. The initial 30 days of services are to be the most intensive, and the services should taper off in the following months. Furthermore, service goals and objectives need to be reflected in the details of the monthly activity logs and progress reports. We reviewed activity logs for 62 clients during the seven-month period, of which 45% did not show services to be tapering off after the initial 30 days of service, nor were service goals consistently apparent in the details of the monthly activity logs. Training guidance may not be legally binding for contract providers; therefore, including weekly limits and documentation requirements in the contract will better communicate OYA's requirements.

Unsupported provider payments

According to the contract terms, monthly activity logs are required to be submitted by providers by the end of the first business day following the month the services were provided. If the logs are not submitted, service authorization may be suspended and payments delayed. OYA's practices conflicted with this requirement. Payments continued to be issued to providers in the absence of supporting activity logs. For example, during

the period reviewed, OYA paid approximately \$6,200 for services that were unsupported by activity logs, about \$4,100 of which was to one provider.

Unclear JPPO roles and responsibilities

The questioned costs we identified were, in part, a direct result of unclear roles and responsibilities. According to the position description, JPPOs are responsible for case management services that include supervision, court ordered monitoring, assessment of youths' risk and needs, case planning activities, and treatment and placement services. JPPOs are to assume primary responsibility for the supervision of the youth on probation or parole status. Community supervision includes working with multi-disciplinary teams involving the families, treatment providers, schools, foster homes, etc.

OYA began providing updated community reintegration contract overview training to field supervisors and JPPOs in July 2012. While the training communicated the JPPOs' responsibility to review and approve provider activity logs, this oversight function is not included in the JPPO position description. Furthermore, interviews with some JPPOs conducted by OYA internal investigators revealed the JPPOs were not aware of this requirement or responsibility, and they could not recall receiving in-depth training on managing contract services prior to July 2012.

In addition to overall case management, the JPPOs position description states it is the role of JPPOs to transport youths to activities, counseling, and medical appointments, assist with employment, and actively help youths learn new skills by modeling, coaching and teaching in a structured format using reinforcers and incentives to shape pro-social behavior. Based on our review of the community reintegration program provider contract, some of these duties, such as assisting with employment and developing pro-social skills, are also being performed by the providers. It appears that conflicting guidance helped to create an environment where roles and responsibilities were unclear, both on the part of the JPPOs and the providers.

Safety Concerns

We identified instances involving the safety of youths and providers participating in the community reintegration program. Providers are required to carry commercial general liability and auto insurance, and they must contact OYA to report any insurance lapses. OYA staff informed us that OYA became aware of insurance lapses when OYA confirmed coverage, rather than in a timely manner by the provider. Our review of the activity logs revealed three instances in which services were provided during the time a provider was uninsured. We also became aware one provider's insurance lapsed twice in a three month period subsequent to the seven month period reviewed. The insurance agency cautioned that any future lapses would result in a canceled policy with no possible reinstatement. Commercial general liability insurance covers bodily injury and property

damage similar to auto insurance; however, in the absence of coverage, these risks could become the direct responsibility of the state. Ensuring providers maintain adequate coverage continuously throughout the contract term mitigates this risk to the state.

During the period reviewed, JPPOs also approved two instances that put the safety of the youth and/or provider at risk. The activity logs indicate that on one occasion a provider transported a youth across a state line to pick up the youth's child from a third party. In the other instance, a provider searched local bars from 10:00pm until 1:00am for a youth on warrant status. Because these incidents occurred at the request of the JPPO, the state was potentially liable for any damages or injuries sustained in the process.

Agency actions

OYA is in the process of recovering some of these questioned payments from the providers.

Recommendations

We recommend OYA develop consistent guidelines for managing the reintegration provider services, as well as policies and procedures for reviewing provider billings. To strengthen its controls over the community reintegration program, OYA should:

- amend the JPPO position description to include the responsibilities for overseeing community reintegration program providers and reviewing and approving monthly invoices and activity logs;
- provide regular training to JPPOs regarding their responsibilities and the role of community reintegration providers;
- ensure activity logs are received and properly reviewed prior to making payment;
- implement an effective cross-review process to ensure a provider is not billing for overlapping services;
- specifically outline allowable and unallowable activities in the community reintegration provider contract;
- implement and specify in the contract a per session and per week time limit per youth, deviation from which requires prior written authorization from the JPPO;
- specifically state in the contract that OYA is not responsible for services and actions providers perform that are outside the scope of the contract; and
- ensure providers' liability insurance is intact by requiring periodic proof of insurance.

We further recommend OYA:

- review payments to providers for an extended period preceding the seven-month period we reviewed to determine whether additional financial losses were incurred;
- consult with law enforcement to determine whether legal proceedings should be pursued; and
- seek recovery of identified questioned costs.

Objectives, Scope and Methodology

The purpose of the audit was to review billings for selected providers and approval procedures for OYA's Community Reintegration Program for the period from January through July 2012. We focused on provider contracts, activity logs submitted by providers, and the amounts paid by OYA to the providers. Our specific objectives were to identify questionable billings and internal control weaknesses.

To meet our objectives, we interviewed key OYA personnel, reviewed the provider contracts, and examined relevant documentation such as the activity logs and provider billings. We also performed an analysis of the number of hours providers spent with each client each week. We performed a detailed review of available activity logs from January through July 2012 for the five providers OYA identified. We worked directly with OYA's contract administrator to identify questioned costs.

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



Oregon

John A. Kitzhaber, MD, Governor

September 24, 2013



The Honorable Kate Brown, Secretary of State
Gary Blackmer, Director, Audits Division
136 State Capitol
Salem, OR 97310

RE: Oregon Youth Authority: Questioned Costs for Community Reintegration Services

Oregon Youth Authority Response

The mission of the Oregon Youth Authority (OYA) is to protect the public and reduce crime by holding youth offenders accountable and providing opportunities for reformation in safe environments. To support the mission, OYA strives to continuously enhance the efficiency and effectiveness of its processes and internal controls.

In response to an internal audit dated March 3, 2011, and a report received from the Secretary of State related to the Community Reintegration Services, OYA has:

- Identified overpayments made to four providers between 2010 and 2012. One provider has repaid and the others are currently in repayment or collection status.
- Strengthened processes and internal controls to prevent inappropriate payments from occurring.
- Established a best practices workgroup to identify, develop and implement a streamlined process of providing youth with quality services designed to hold them accountable and create opportunities for reform.

Payment Recovery

To address historical reintegration program payment errors, OYA has:

- Conducted an extended review of reintegration contract payments for an additional 18 months, beyond the period reviewed by the Secretary of State, to determine if overpayments were made.
- Extended the review scope, beyond the five providers identified by the Secretary of State, to all reintegration service provider contracts to determine whether other providers had been overpaid.
- Determined, through consultation with law enforcement, legal proceedings will not be pursued at this time.
- Established an October 2013 deadline for all payment recovery negotiations.

Process and Internal Control Enhancements

To prevent future program payment errors, OYA has strengthened processes and internal controls with the following actions:

- The vendor invoicing process was revised to include an updated activity log format and a more structured method of submitting activity logs, allowing for more timely and complete OYA review.
- The Contract Administrator designed and implemented a formal monitoring and tracking calendar for all services for each provider to ensure services do not overlap and are provided within contract guidelines.
- All contractors were provided training, with respect to contract requirements and expectations.
- All JPPOs and field supervisors received “Community Reintegration Contract Overview” training.
- The Contract Administrator established a method of tracking liability insurance coverage. OYA now requires proof of insurance for all contractors, and monitors on-going status through communications with insurance providers.

Best Practices and Broader Application

OYA is applying the best practices process improvements developed in addressing these audits to all youth services contracting processes.

In addition to implementing process and internal control enhancements, OYA has created a youth services contracts workgroup. This workgroup will focus on the areas identified below. It is anticipated that new contracts and processes will be implemented on or before July 2014.

- Development of new youth services provider contracts, which will incorporate:
 - Clear language regarding scope of work, aligning services with program objectives;
 - Stipulated weekly or monthly service limitations;
 - Documentation requirements, with controls designed to detect and prevent overlapping or overstated service hours;
 - Defined liability insurance requirements to ensure adequate coverage and youth safety;
 - Specified contractor liability for all services outside the scope of contract;
 - Detailed progressive consequences for failure to meet contract standards or breach of contract, including fines, suspension of all contracted services, payment suspension, and contract termination; and
 - Clarification on authorization, verification and billing processes.

- Expanded understanding and definition of JPP0 and field supervisor roles and responsibilities when authorizing, monitoring and verifying contracted youth services. This will be documented through:
 - Updated job descriptions;
 - Revised policies and procedures, as applicable;
 - Development of forms and tracking tools; and
 - New and continuing training.
- Enhancements to JJIS that will ensure that the financial information interfaced with the Statewide Financial Management System (SFMS) is accurate.

OYA appreciates the information provided in the audit and the opportunity to respond to and address the findings and recommendations. The agency will continue to review its policies and practices through the lens of continuous improvement with the goal of enhancing the efficiency and effectiveness of its processes and internal controls. Please feel free to contact me if more information is required.

Sincerely,



Fariborz Pakseresht
Director

About the Secretary of State Audits Division

The Oregon Constitution provides that the Secretary of State shall be, by virtue of her office, Auditor of Public Accounts. The Audits Division exists to carry out this duty. The division reports to the elected Secretary of State and is independent of the Executive, Legislative, and Judicial branches of Oregon government. The division audits all state officers, agencies, boards, and commissions and oversees audits and financial reporting for local governments.

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The courtesies and cooperation extended by officials and employees of the Oregon Youth Authority during the course of this audit were commendable and sincerely appreciated.