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Mr. Daniel Brito
Blackstone Valley Youth and Family Collaborative, Inc.
209 Cottage Street
Pawtucket, Rhode Island 02860

August 21, 2018

Dear Mr. Brito:

Attached is our vendor contract compliance audit report for Blackstone Valley Youth and Family Collaborative (BVYFC). This audit was conducted in conformance with the Institute of Internal Auditors (IIA) International Standards for the Professional Practice of Internal Auditing and by the authority given to the unit as stated in accordance with Rhode Island General Laws (RIGL) § 35-7.1-1 – Establishment of office of internal audit.

This vendor contract compliance audit is for BVYFC fiscal operations for the period February 1, 2017 through April 6, 2018. During this period, BVYFC was contracted to operate two semi-independent living residences with a total resident capacity of 11 youth. During the 15-month period reviewed, BVYFC received \$1,047,501 from the Rhode Island Department of Children, Youth, & Families (DCYF).

Our audit disclosed deficiencies in BVYFC's system of internal control over the segregation and disbursement of DCYF funds resulting in the failure to comply with all contractual terms. Our report does not include operational and internal control recommendations to BVYFC, as their contract with DCYF was terminated effective April 6, 2018. Detailed discussion of each finding can be found in the attached audit report.

We found BVYFC had inadequate and incomplete records. We questioned a total of \$123,807.42 in expenditures made by BVYFC during the 15-month audit period. The questioned costs consist primarily of expenditures for which BVYFC either provided no supporting documentation or the supporting documentation provided was inadequate to determine if the expenditure was incurred for contractual purposes. In accordance with your contract with the Department, you failed to comply with the provisions of Addendum IV, Fiscal Assurances, and therefore, the agency is allowed to request payment of the funds. Upon discussion of the questioned costs identified, DCYF management elected to exercise their right to recuperate these funds.

Additionally, we have disallowed a total of \$70,032.45 of expenditures used for purposes that are considered unallowable under applicable guidelines and identified \$13,518.00 in unexpended funds by BVYFC. We calculated an amount due to DCYF of \$61,753.63 from BVYFC as follows:

Disallowed Costs	\$ 70,032.45
Unexpended Funds	\$ 13,518.00
Unsupported/Questioned Costs	\$123,807.42
Less Amount of Outstanding invoice payments due to BVYFC	<u>(\$ 24,786.00)</u>
Amount Due to DCYF	<u>\$ 182,571.87</u>

Please submit your **check for \$182,571.87 payable to State of Rhode Island General Treasurer**. Should you wish to discuss these audit findings in detail and provide the substantiation for the \$123,807.42 of questioned costs noted in the attached audit report, please contact Deborah Buffi, Associate Director Contract Compliance at the Department of Children Youth and Families **within thirty days** from the date of this letter. You may reach her at 401-528-3572 or deb.buffi@dcyf.ri.gov.

Respectfully,



Dorothy Z. Pascale, CPA, CFF
Chief

Attachment

c: Trista Piccola, Director, Department of Children Youth and Family
Deborah Buffi, Associate Director, Contracts & Compliance, Department of Children Youth and Family

Vendor Compliance Audit Report

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Background

The Rhode Island Department of Children, Youth, and Families (DCYF) contracted with Blackstone Valley Youth and Family Collaborative (BVYFC) to provide the basic needs and services for the youths placed in the provider's care. BVYFC, located in Pawtucket, Rhode Island, was contracted to administer two semi-independent living residences with a total resident capacity of 11 youths. Under the provisions of its contract with BVYFC, DCYF paid BVYFC a daily rate of \$243 per youth in its care. During the 15-month period reviewed, DCYF was the sole revenue stream for BVYFC. BVYFC received \$1,047,501 from DCYF. The last bill¹ submitted by BVYFC totaling \$24,786.00 has not been paid by DCYF in anticipation of the results of this audit.

The terms of the contract between DCYF and BVYFC require the provider to segregate receipts and disbursements pertaining to contracted services from all other sources. The provider had the option to either physically segregate DCYF receipts and expenditures (i.e. different bank accounts) or to utilize different fiscal codes to separately identify the DCYF receipts and expenditures. As discussed in this report, BVYFC had deposits recorded from sources other than DCYF and did not comply with this contractual requirement. As such, it is impossible to say whether the costs questioned in this report were entirely funded with DCYF funds. However, it should be noted that 97% of the income reported by BVYFC during the audit period came from DCYF. Due to most of income resulting from the DCYF contract and the noted non-compliance with the contract term, the OIA believes BVYFC is responsible to repay the balance of disallowed and unexpended funds to DCYF and also to substantiate those costs which are questioned below.

Questioned & Disallowed Costs

Our review of BVYFC's bank statements, general ledger, and sampled expenditures disclosed a number of deficiencies in BVYFC's system of internal control over DCYF receipts and expenditures, including incomplete records and a lack of supporting documentation. Due to these weaknesses, it is difficult to ascertain whether some of the tested paid costs were reasonable and allocable to the DCYF contract. Below is a summary of our financial findings.

Category	Questioned Costs	Disallowed Costs	Unexpended Funds
Payroll	\$28,453.67	\$ -	\$13,518.00
Housing Payments	\$7,100.00	\$31,000.00	\$ -
Partnership Draw	\$ -	\$26,500.00	\$ -
Food, Household Items, & Clothing Expenses	\$4,237.37	\$4,841.02	\$ -
Taxes	\$25,158.00	\$3,620.26	\$ -
Other Expenses	\$ -	\$2,500.00	\$ -
Entertainment	\$ -	\$830.37	\$ -
Interest and Penalties	\$ -	\$507.53	\$ -
Insurance	\$526.76	\$233.27	\$ -
Loans to BVYFC	\$44,133.00	\$ -	\$ -

¹ This bill was for the month of March 2018. A bill was not received by the DCYF from BVYFC for the month of April 2018.

Automobile Expenses	\$5,786.38	\$ -	\$ -
Electrician & Contractor/ Handyman Expenses	\$4,804.00	\$ -	\$ -
Utilities	\$2,309.74	\$ -	\$ -
Landscaping Expenses	\$1,298.50	\$ -	\$ -
Totals	\$123,807.42	\$70,032.45	\$13,518.00

Definition of Terms:

A questioned cost results from a lack of or inadequate supporting documentation:

- to justify the expense of state funds
- does not identify the source of funds to support a cost²

A disallowed cost results from:

- an alleged violation of a provision of a law, regulation, contract, grant, cooperative agreement, or other agreement or document governing the expenditure of funds, or
- a finding that the expenditure of funds for the intended purpose is unnecessary or unreasonable

Unexpended funds are referenced in the contract as follows:

The Contractor agrees any unexpended funds from this agreement are to be returned to the Department at the end of the time of performance unless the Department gives written consent for their retention.³

As referenced above, DCYF requires providers to segregate receipts and disbursements pertaining to contracted services from all other sources to ensure that the provider complies with this term and returns the accurate amount of unexpended funds. Due to the vendor not complying with this contractual term, it is difficult to ascertain whether some of the tested paid costs were reasonable and allocable to the DCYF contract.

² It should be noted that per Addendum III *Payments, Reports Schedule and Claiming of Expenditures*, Paragraph 1 of the contract, DCYF reserves the right to reject any invoiced expense that is unrelated to the contracted services or is improperly documented.

³ Addendum IV, *Fiscal Assurances*.

Detailed Discussion of Findings

Payroll Expenses

Total Questioned: \$28,453.67

Total Unexpended: \$13,518.00

Supporting documentation was provided for all nine payroll expenditures selected for testing, however the support was incomplete, as discussed below.

Missing Supporting Timesheets

Payroll sampled for pay periods February 27, 2017 through April 30, 2017 had total unsupported payroll cost in the amount of \$28,453.67. There were 29 out of 168 missing timesheets that did not support \$18,000.00 paid to the Executive Director, \$8,188.42 to the Program Manager, and \$2,265.25 to 9 other staff members. The OIA questions the unsupported costs of \$28,453.67.

Discrepancy Between Actual and Proposed⁴

For the same period, BVYFC did not pay 23⁵ out of 25 BVYFC employees what was presented on the cost proposal. Actual hourly wages/salaries were 15.55% less than what was proposed to DCYF. See the chart below.

Employee Title	Actual Hourly Pay Rate	Proposed⁶ Hourly Pay Rate	Hours Worked	Over/(Under) Payment
Executive Director	\$ 50.00	\$ 48.08	360.00	\$ 692.31
Clinician, LICSW	\$ 35.00	\$ 33.00	181.00	\$ 362.00
Program Manager	\$ 21.63	\$ 28.85	360.00	\$ (2,596.20)
House Manager	\$ 15.87	\$ 18.00	152.00	\$ (324.44)
House Manager	\$ 13.94	\$ 18.00	320.00	\$ (1,298.48)
Direct Support Staff	\$ 14.50	\$ 15.00	200.50	\$ (102.50)
Direct Support Staff	\$ 13.50	\$ 15.00	113.00	\$ (169.50)
Direct Support Staff	\$ 13.00	\$ 15.00	647.00	\$ (1,304.00)
Direct Support Staff	\$ 12.50	\$ 15.00	444.50	\$ (1,126.88)
Direct Support Staff	\$ 12.25	\$ 15.00	328.50	\$ (903.38)
Direct Support Staff	\$ 12.00	\$ 15.00	949.50	\$ (2,878.50)
Direct Support Staff	\$ 11.00	\$ 15.00	548.00	\$ (2,216.00)
Direct Support Staff	\$ 10.75	\$ 15.00	123.50	\$ (532.31)
Direct Support Staff	\$ 10.50	\$ 15.00	246.00	\$ (1,120.50)
Total from February 27, 2017 to April 30, 2017				\$ (13,518.37)

⁴ Proposed Rates used are from the June 30, 2017 BVYFC Cost Proposal, which was submitted after the sampled period. This was the first cost proposal requested by DCYF from BVYFC. As the per diem amount of \$243 referenced in the contract was the same as the per diem amount on the cost proposal, the OIA used the cost proposal as the criteria for the entirety of the contract period.

⁵ The job classifications of the 2 out of 25 other BVYFC employees were unknown and therefore were not included in the analysis.

⁶ A 40-hour workweek, as referenced on the BVYFC payroll registers, was used to calculate the proposed hourly rates for the executive director and the program manager due to annual salaries, not hourly rates, referenced in the cost proposal.

As noted previously, the contract requires that BVYFC return any unexpended funds to DCYF at the end of the time of performance. Since DCYF paid \$13,518.37 more than what was expended by BVYFC for payroll costs, this amount should be paid back to DCYF in accordance with the terms of the contract.

Housing Payments

Total Questioned: \$7,100

Total Disallowed: \$31,000

BVYFC made rental payments throughout the contract period to four different entities and individuals for the 4 facilities⁷ utilized during the performance of this contract. The OIA questions payments made in relation to two facilities.

- 1) The administrative office is located within a building owned by a Limited Liability Company (LLC) which is owned by the BVYFC Executive Director. Rental payments made to this company during the contract period totaled \$32,500 per the BVYFC general ledger. There was no consistent monthly rent, as payments were made 1 to 2 times per month, with total monthly payments ranging from \$1,200 to \$3,700. The OIA selected a sample of 4 payments totaling \$7,100, for which no supporting documentation was provided by BVYFC. The OIA cannot verify the exact amount of rent due to the absence of support, such as a rental agreement, and due to the varying timing and amount of the payments made during the contract period. Subsequently, the OIA questions the total amount sampled of \$7,100.
- 2) One residence was owned by a different LLC also owned by the BVYFC Executive Director. Per the BVYFC general ledger, payments applicable to rent totaled \$38,000 during the period. There was no consistent monthly rent, as payments were made 1 to 3 times per month, with total monthly payments ranging from \$1,200 to \$6,000. This facility incurred extensive fire damage on March 11, 2017. Five youths were living in the house at the time of the fire. Four of the youths were discharged from the program and one was transferred to another BVYFC residence. Therefore, youths were living at this residence for two months of the contract period.⁸ As this residence was not used for contract purposes after March 2017, and was in fact later sold to another individual, the OIA disallows \$31,000 in rental payments made after the date of the fire.

Partnership Draw

Total Questioned: \$ -

Total Disallowed: \$26,500

The Executive Director was paid \$26,500 in addition to his salary during the contract period. These payments were recorded as a "Partners' Draw" in the BVYFC general ledger. A "Partners Draw" is essentially a distribution of profits. The account is a bookkeeping entry created to keep track of the money a partner takes out of the business. When the business profits and the partners' share of the profits are calculated, the amount taken as the draw is subtracted from the partner's share. As

⁷ Refer to Contracted Residences section of this report for discussion regarding the increase in residences.

⁸ It should be noted that BVYFC informed DCYF that the house would be used for contract purposes as soon as the necessary renovations and repairs were completed. However, this house was sold on May 4, 2018 and was not used for contract purposes after the time of the fire.

these payments were not made for reasonable and allocable expenses of the contracted services, the OIA disallows the \$26,500.

Food, Household Items & Clothing Expenses

Total Questioned: \$4,237.37

Total Disallowed: \$4,841.02

Although BVYFC paid for some food, household items, and clothing purchases with their debit card, the provider also made weekly payments to the BVYFC Program Manager to pay for these types of expenses. For the three transactions sampled (\$937.37) which were paid for with the debit card, BVYFC did not provide supporting documentation and therefore the OIA questions this amount.

The OIA also selected five payments totaling \$8,141.02 made to the Program Manager. One payment totaling \$3,741.02 was a reimbursement for the purchase of furniture in December 2017, delivered to the house at which the fire occurred. This house was sold shortly thereafter and was not used for contract purposes. Therefore, the OIA disallows this payment.

The other four payments selected were \$1,100 each. The explanation provided by BVYFC for these payments is that it was related to weekly checks given to purchase food, recreation, allowances & household items. The supporting documentation provided for one of these \$1,100 checks included receipts of purchases which had been made using the BVYFC debit card, making this a duplicate payment for items already purchased, which is disallowed.

Although the other three weekly checks had various receipts as supporting documentation, the OIA is questioning these payments. It is difficult to determine whether the amount claimed to be paid for recreation and allowances to the youths was in fact provided to them, as no receipt logs were provided as support. Additionally, receipts also referenced the purchase of unallowable items, such as purchases made from a tobacco and electronic cigarette store. While some of the items purchased were certainly for the benefit of the youths in BVYFC care, it is difficult to ascertain the true cost of such purchases. Therefore, the OIA is questioning the remaining \$3,300.

Taxes

Total Questioned: \$25,158

Total Disallowed: \$3,620.26

The OIA sampled one \$3,620.26 property tax payment made in November 2017. The supporting documentation provided by BVYFC showed that the taxes paid were for the administrative office and for the residence at which the fire occurred. As referenced above in the "Housing Payments" section, both properties were owned by different entities which received monthly payments from the BVYFC bank account. In the ordinary course of business, property taxes are a component of rental payments and are not a liability of the renter. Additionally, the facility at which the fire occurred was not used for contracted purposes after March 2017. Therefore, the OIA disallows this payment.

Additionally, two payments totaling \$24,401 were made to the United States Treasury and one payment totaling \$1,117 was made to the RI Division of Taxation during the contract period. All three transactions were recorded as tax payments in the BVYFC general ledger and were selected by the OIA for testing. Supporting documentation was not provided for any of the payments. As such, the OIA is unable to

determine if the taxes paid were the sole liability of BVYFC and if fines or penalties may have been included in the payments, which is unallowable per OMB Circular A-122. Therefore, the entire sampled cost of \$25,518 is questioned.

Other Expenses

Total Questioned: \$ -

Total Disallowed: \$2,500

It was noted during review of the bank statements that a check was written out to "Cash" in the amount of \$2,500 during the contract period. When a check is not payable to a specific person or organization, anybody who has possession of the check can cash or deposit the check. As the utilization of the payment cannot be determined, the OIA disallows the \$2,500.

Entertainment

Total Questioned: \$ -

Total Disallowed: \$830.37

Four charges totaling \$830.37 were incurred during the contract period by BVYFC for upscale restaurants and hotels. According to OMB Circular A-122, entertainment, including amusement, diversion, and social activities and any costs directly associated with such costs (such as tickets to shows or sports events, meals, lodging, rentals, transportation, and gratuities) are unallowable and therefore the OIA disallows this amount.

Interest and Penalties

Total Questioned: \$ -

Total Disallowed: \$507.53

The OIA sampled two payments totaling \$454.03 related to interest from a line of credit per the BVYFC general ledger. BVYFC did not provide supporting documentation. According to OMB Circular A-122, costs incurred for interest on borrowed capital and/or funds is unallowable. Additionally, a ticket issued by the City of Pawtucket of \$53.50 was also paid out of the DCYF bank account. OMB Circular A-122 also states that fines, penalties and late charges resulting from violations of federal, state, and local laws and regulations are not allowable. BVYFC did not provide supporting documentation for that sampled expense. The OIA disallows the cost of both sampled payments.

Insurance

Total Questioned: \$526.76

Total Disallowed: \$233.27

During the contract period, one \$526.76 payment was made for a life insurance policy for the Executive Director. Per OMB Circular A-122:

Costs of insurance on the lives of trustees, officers, or other employees holding positions of similar responsibility are allowable only to the extent that the insurance represents additional compensation. The costs of such insurance when the organization is named as beneficiary are unallowable.

From the supporting documentation provided, the beneficiary cannot be determined and therefore the OIA is questioning the cost of this payment.

Additionally, one health insurance payment totaling \$796.95 was selected for testing. Supporting documentation showed that the cost was incurred for one policy for the BVYFC Executive Director and an additional policy for an individual not employed by BVYFC. The amount of \$233.27 was incurred to pay for the policy of this other individual. As the other individual was not an employee of BVYFC, the OIA disallows the portion paid for that policy.

Loans to BVYFC

Total Questioned: \$44,133

Total Disallowed: \$ -

The OIA requested supporting documentation for a sample of seven payments recorded as loans to BVYFC in their general ledger. BVYFC did not provide supporting documentation, such as loan agreements or cancelled checks, for any of the sampled transactions. It cannot be determined whether loan receipts equaled repayments of the loans, which would ensure DCYF funds were not used inappropriately. Consequently, the OIA cannot validate the loans and is questioning the combined sampled balance of \$44,133.

Automobile Expenses

Total Questioned: \$5,786.38

Total Disallowed: \$ -

OMB Circular A-122 states the following in relation to expenses incurred for automobiles:

That portion of the cost of organization-furnished automobiles that relates to personal use by employees (including transportation to and from work) is unallowable as fringe benefit or indirect costs regardless of whether the cost is reported as taxable income to the employees. These costs are allowable as direct costs to sponsored award when necessary for the performance of the sponsored award and approved by awarding agencies.

The OIA selected a sample of two transactions totaling \$1,237.92 in loan payments which, per its general ledger, was related to an automobile. The supporting documentation provided by BVYFC was insufficient to ascertain whether the loan was related to an automobile, and, if so, whether the vehicle was owned by BVYFC and used for contracted services. Therefore, the OIA questions the sampled amount of \$1,237.92.

The OIA also selected a sample of four transactions totaling \$4,548.46 paid to an auto body repair shop. The supporting documentation provided for a sample of these transactions was insufficient to determine if these payments were for contracted purposes. As a result, the OIA questions the \$4,548.46 of sampled costs.

Electrician & Contractor/Handyman Expenses

Total Questioned: \$6,804

Total Disallowed: \$ -

Six payments totaling \$6,804 in costs related to electrician and contractor expenses was selected for testing by the OIA. The supporting documentation provided for three payments totaling \$1,634 referenced repairs at the BVYFC administrative office. Since other businesses share the same address as the BVYFC administrative office, it is impossible to tell from the support whether the work was related to the BVYFC offices. It should also be noted that the LLC owned by the BVYFC Executive Director owns this property and BVYFC paid this entity rent. Therefore, we are questioning the \$1,634.

Lastly, three payments recorded in the BVYFC general ledger as "Electrician-Repairs" totaling \$5,170 were selected. Supporting documentation was not provided for one \$3,000 payment. Supporting documentation was provided for the other two payments; however, the invoice for one of the payments did not agree to the total amount of \$170 which was paid. The OIA is therefore questioning \$3,170.

Utilities

Total Questioned: \$2,309.74

Total Disallowed: \$ -

BVYFC paid for various utilities during the contract period, including electricity and gas bills. Six payments totaling \$4,688.34 were selected. From the supporting documentation which was provided, it was noted that multiple gas and electric accounts were often paid through one payment. Although account statements were provided for some of the accounts paid, the statements were not provided for all accounts. The OIA questions \$2,309.74 for which BVYFC did not provide supporting documentation.

Landscaping Expenses

Total Questioned: \$1,298.50

Total Disallowed: \$ -

Three payments totaling \$1,298.50 were sampled from this category. Supporting documentation was not provided for one \$153 payment. Although supporting documentation was provided for the remaining payments, the invoices did not reference a service address. The OIA was therefore unable to determine if the services were performed at a contracted facility. Therefore, the OIA questions the entire sampled cost of \$1,298.50.

Contract Compliance

Documentation Retention

BVYFC is required by the terms of their contract to maintain accurate and complete records to support services provided for youths within their care. The contract states in pertinent part:

Contractor agrees to make accessible and to maintain all fiscal, activity, and other records relating to this Agreement and relating to the Contractor providing services to children and youth placed with the Contractor by the Department to state and/or federal officials, or their designated representatives, necessary to verify the accuracy of Contractor invoices or compliance with the terms and conditions of this Agreement.⁹

BVYFC did not provide case records for 2 out of 21 youths within the semi-independent living program during the contract period.

Fiscal Terms

The following fiscal terms are also incorporated into the contract with DCYF:

- 1. The Contractor agrees to segregate all receipts and disbursements pertaining to this agreement from recipients and disbursements from all other sources, whether by separate accounts or by utilizing a fiscal code system.*
- 2. The Contractor assures a system of adequate internal control will be implemented to ensure a separation of duties in all cash transactions.*
- 3. The Contractor assures the existence of an audit trail which includes: cancelled checks, voucher authorization, invoices, receiving reports, and time distribution reports.¹⁰*

The following issues of non-compliance with these contract terms were noted:

1. Receipts and expenses related to DCYF operations were not segregated from other operational receipts and disbursements. One out of seven deposits selected for testing was combined into the same income account on the general ledger as DCYF receipts, and all tested deposits were combined into the same bank account as DCYF receipts.
2. Segregation of duties was not implemented, as the Executive Director signed his own checks.
3. As noted throughout this report, BVYFC did not ensure the existence of an audit trail for all the sampled transactions.

⁹ Agreement, Paragraph 20

¹⁰ Addendum IV, Fiscal Assurances

Required Reporting

The contract requires BVYFC to complete and submit reports to DCYF:

All data and reports shall be submitted by the deadline(s) established by the Department in the format requested by the Department. If data and/or reports are not received in a timely manner or are not complete, the Department reserves the right to withhold invoice payment until all pending data and/or reports are received and approved.¹¹

BVYFC did not submit three out of four required Residential Care Contract Quarterly Reports during the contract period to the DCYF Contracts & Compliance Unit.

Billing Terms

Per the contract, BVYFC is required to separately identify youths who were hospitalized or absent from care on the monthly billings:

The Department shall reimburse The Contractor for any youth who has been hospitalized from the facility for a maximum of fourteen (14) calendar days. Billing for these youth shall be included on the monthly statement as a separate item.... The Department shall reimburse The Contractor for any youth who is absent from care (formerly known as AWOL), without permission from the facility for a maximum of four (4) calendar days. Billing for these youth shall be included on the monthly statement as a separate item.¹²

The OIA reviewed two log books provided by BVYFC. These log books were maintained by BVYFC personnel and listed daily activities of the youths in care, including instances in which youths were hospitalized or absent from care without permission. Except in one instance, unauthorized absences and hospitalizations noted on log books were not reflected as separate items on the 13 invoices tested. It also does not appear that BVYFC properly informed DCYF of unauthorized absences and hospitalizations. DCYF records these occurrences within the Rhode Island Children's Information System (RICHIST). The following was noted:

- Six out of thirteen youths' unauthorized absence records in RICHIST did not match the BVYFC records.
- One out of thirteen youths' hospitalization records in RICHIST did not match the BVYFC records.

Contracted Residences

The contract¹³ references two locations in which the Semi-Independent Living Program (SILP) is to be conducted and states that both locations are in full compliance with DCYF regulations.

BVYFC housed youths at a third residence for the life of the contract without the addition of the facility within the agreement. However, this facility was licensed by DCYF for semi-independent living

¹¹ Addendum XX, *Active Contract Management*, Paragraph 3.4

¹² Addendum III, *Payments, Reports Schedule and Claiming of Expenditures*, Paragraph 1.

¹³ Addendum XVI, *Bid Proposal*, Paragraph 4.1.5

placement for up to three youths prior to the start of the contract period. Both BVYFC and DCYF failed to include the residence in the contract terms nor processed a contract amendment to reflect the use of the residence.

BVYFC disregarded contract terms and DCYF did not properly monitor BVYFC to address and timely correct these issues. Non-compliance with contract terms increases the risk of contract objectives not being met, DCYF funds being used for unallowable purposes, and inaccurate payments made to the provider.

Objective and Scope

The purpose of our audit was to determine whether BVYFC complied with the terms of its contract with DCYF (effective from February 1, 2017 through April 6, 2018) and appropriately accounted for and spent DCYF funds on necessary, allowable, and reasonable expenditures in providing contract services to youths placed in the BVYFC's care.

Methodology

To address our audit objective, we reviewed bank statements and the general ledger from the audited period and tested a sample of BVYFC payroll and non-payroll expenditures to ensure that BVYFC used DCYF funds for contractual purposes and maintained appropriate supporting documentation. We also evaluated the adequacy of the BVYFC's records and compliance with applicable contractual, federal, and state guidelines, including:

- DCYF contract with BVYFC, including all attachments and cost proposal
- 2 CFR Part 230 (Federal Office of Management and Budget Circular A-122)
- DCYF Residential Care Regulations