



pennsylvania
DEPARTMENT OF PUBLIC WELFARE

JUL 26 2011

Ms. Magdeline E. Jensen, Chief Executive Officer
YWCA Greater Pittsburgh
305 Wood Street
Pittsburgh, Pennsylvania, 15222

Dear Ms. Jensen

I am enclosing for your review the final performance audit report of the YWCA Greater Pittsburgh Child Care Information System and Standards, Training/Professional Development, Assistance, Resources Grants as prepared by the Division of Audit and Review. Your response dated May 13, 2011 has been incorporated into the final report as an appendix.

I would like to express my appreciation for all the courtesy extended to my staff during the course of the fieldwork.

The report will be forwarded to the Department's Office of Child Development and Early Learning (OCDEL) to begin the Departments resolution process concerning the report contents. The staff from OCDEL may be in contact with you to follow-up on the action taken in consideration of the report's findings.

Sincerely,

A handwritten signature in black ink that reads "Tina L Long". The signature is written in a cursive, flowing style.

Tina Long

Enclosure

c: Ms. Barbara Minzenberg
Ms. Shari Yiengst
Ms. Marci Walters
Ms. Christina Leise

bcc: Ms. Tina Long
Mr. Thomas Crofcheck
Mr. Alexander Matolyak
Mr. Michael Kiely
Western Audit File



JUL 26 2011

Ms. Barbara Minzenberg
Deputy Secretary
Office of Child Development and Early Learning
333 Market Street, 6th Floor
Harrisburg, Pennsylvania 17126-0333

Dear Ms. Minzenberg

In response to a request from the Office of Child Development and Early Learning (OCDEL), the Bureau of Financial Operations (BFO) has completed a performance audit of the YWCA Greater Pittsburgh (YWCA) Child Care Information System (CCIS) and Standards, Training/Professional Development, Assistance, Resources (STARS) grants.

The YWCA views and comments on the report findings and recommendations are attached and are identified as an Appendix. The YWCA's comments on Issue No. 1 are misleading. Finding No. 1 and the associated recommendations rely upon Federal requirements as detailed in U.S. Office of Management and Budget Circular A-122 (OMB A-122), which establishes cost principles for non-profit organizations. The BFO maintains the position that the YWCA did not have a supportable indirect cost allocation plan and overbilled for indirect costs. This report is considered as final and is available for public inspection.

Executive Summary

ISSUES	SUMMARY
Issue No. 1 – The YWCA Invoiced FY 08/09 Indirect Cost at the Two Percent CCIS Grant Maximum, Which Exceeded Actual Costs Incurred by \$343,436	<ul style="list-style-type: none">• CCIS grant and audit requirements allow providers to bill actual agency indirect costs up to 2% of the total grant.• The YWCA invoiced indirect costs to the grant at the 2% maximum.• This exceeded cost allowed under OMB A-122 by \$343,436 for FY 08/09.• Results of a FY 09/10 time study indicate that indirect costs allocated to CCIS should be reduced even further in future periods.

HIGHLIGHTS OF RECOMMENDATIONS

OCDEL should recover \$343,436 from the YWCA for CCIS indirect costs that were charged in excess of that allowed under OMB A-122.

The YWCA should revise its FY 09/10 CCIS invoice to reflect indirect cost allocation percentages determined by a FY 09/10 time study.

The YWCA should also base FY 10/11 CCIS indirect costs on the results of the FY 09/10 time study.

ISSUES	SUMMARY
<p>Issue No. 2 – Inadequate Funding by OCDEL of TANF Administrative Costs Resulted in Inequitable Allocation of Costs Among Low Income, Former TANF and TANF Funding Streams</p>	<ul style="list-style-type: none"> • OCDEL failed to allocate adequate TANF Administration/Support funds to the YWCA for FY 08/09. • As a result the YWCA allocated costs based on where funding was available. • This allocation was not equitable and did not comply with OMB A-122.

HIGHLIGHTS OF RECOMMENDATIONS

The YWCA should develop a cost allocation plan that distributes costs equitably to all CCIS funding sources in compliance with OMB A-122.

OCDEL should revise each of the three CCIS allocations to reflect an accurate distribution of costs between Service and Administration/Support components.

ISSUES	SUMMARY
<p>Issue No. 3 – The YWCA Was Reimbursed \$30,950 For Unallowable Uncollected Overpayments</p>	<ul style="list-style-type: none"> • OCDEL paid \$30,950 to reimburse the YWCA for “uncollected overpayments”. These represent improper payments made by the YWCA to child care providers that could not be recovered from those providers. • OMB A-122 does not allow the recovery of bad debt expense which arises from improper payments.

RECOMMENDATIONS

OCDEL should recover \$30,950 from the YWCA and cease the practice of reimbursing CCIS agencies for uncollected overpayments.

Background

The YWCA is a nonprofit 501(c) (3) corporation headquartered in Pittsburgh, Pennsylvania. Its focus is to provide support, counseling and guidance to women of all ages. The YWCA offers various programs and services for woman. Among these are two programs funded by the Department of Public Welfare to provide and coordinate subsidized child care services.

The CCIS program provides consumer information, resource and referral services and subsidized child day care services for clients eligible for Low Income, Former TANF (Temporary Assistance for Needy Families) or TANF programs.

The YWCA's role in subsidized child care is to act as the funding conduit. It receives an allocation from OCDEL for two components, a Service component (pass-through payments to day care providers) and an Administration/Family Support Services (FSS) component. There are three grant agreements for three administrative sites covering the City of Pittsburgh and North and South Allegheny County.

The STARS program is designed to facilitate continuous quality improvement for child care providers and is administered statewide by six Early Learning Regional Keys. The YWCA operates the Southwest Regional Key which provides technical assistance and professional development opportunities to child care providers in Allegheny, Fayette, Greene, Washington and Westmoreland counties. OCDEL and the YWCA have a single grant agreement for this program.

For the fiscal period July 1, 2008 through June 30, 2009, (FY 08/09) the YWCA's CCIS revenues were as follows:

<u>Location</u>	<u>Low Income</u>	<u>Former TANF</u>	<u>TANF</u>	<u>TOTAL</u>
<u>CITY</u>				
Admin/FSS	\$1,687,159	\$ 855,276	\$ 219,059	\$ 2,761,494
Service	9,014,451	9,035,552	8,285,975	<u>26,335,978</u>
Total				<u>\$29,097,472</u>
<u>NORTH</u>				
Admin/FSS	\$1,427,245	\$ 637,166	\$ 199,078	\$ 2,263,489
Service	9,199,578	7,044,386	4,200,842	<u>20,444,806</u>
Total				<u>\$22,708,295</u>

<u>SOUTH</u>				
Admin/FSS	\$1,689,942	\$ 916,437	\$ 185,669	\$ 2,792,048
Service	11,558,085	10,156,440	5,777,377	<u>27,491,902</u>
Total				<u>\$30,283,950</u>

The FY 08-09 STARS allocation, which does not have separate site Administration/FSS and Service components, totaled \$6,178,022.

The grant agreements for both CCIS and STARS require the YWCA to comply with the U.S. Office of Management and Budget Circular A-122 (OMB A-122), which establishes cost principles for non-profit organizations.

Objective, Scope, and Methodology

Our audit objectives were as follows:

Determine if indirect costs charged to the CCIS and Regional Key grants for Fiscal Year 2008-09 are appropriate and supported by sufficient documentation in compliance with applicable grant agreements and State and Federal regulations.

Determine if expenditures reported under the "Other" line item of the budget for Fiscal Year 2008-09 CCIS grants are properly accounted for and in compliance with appropriate grant agreement and State and Federal regulations.

The scope of the audit was limited to those procedures necessary to accomplish these objectives. In pursuing our objectives, we reviewed various internal and external source documents and reports. In addition, we conducted interviews with YWCA and OCDEL staff. Government auditing standards require that the BFO obtain an understanding of management controls that are relevant to the audit objectives described above.

The applicable controls were examined to the extent necessary to provide reasonable assurance of compliance with generally accepted accounting principles. Based on the BFO's understanding of the controls, no significant deficiencies came to our attention other than those described in Issues No.1 through 3 of this report.

The BFO's fieldwork was conducted between February 11 and March 19, 2009. We conducted this performance audit in accordance with generally accepted government audit standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives. This report, when presented in its final form, is available for public inspection.

Results of Fieldwork

Issue No. 1 - The YWCA Invoiced FY 08/09 Indirect Cost at the Two Percent CCIS Grant Maximum, Which Exceeded Actual Costs Incurred by \$343,436

CCIS grant audit guidelines allow providers to allocate agency indirect costs in direct relation to the actual benefits accruing to the grant. The allocation must be based on a reasonable, equitable and consistently applied cost allocation plan. Indirect cost may not exceed two percent of the total grant.

For FY 08/09, the YWCA invoiced indirect cost of \$1,580,673 to the CCIS grants. This amount was not based on a cost allocation plan, but instead was generally based on an assessment equal to two percent of the grant.

OMB Circular A-122 - Cost Principles for Non-Profit Organizations, requires that indirect costs, where an organization's indirect costs benefit its major functions to varying degrees, be allocated by means of a base which best measures the relative benefits. It further states that the default allocation basis for general administrative and general expenses is modified total direct costs (MTDC).

MTDC consists of all salaries and wages, fringe benefits, materials and supplies, services, travel and subgrants and subcontracts up to the first \$25,000. It excludes from the basis, equipment, capital expenditures, charges for patient care, rental costs and the portion of subgrants and subcontracts in excess of \$25,000.

The YWCA provided numerous verbal and written explanations to support the total of indirect costs that were charged to the FY 08/09 grants. A supportable cost allocation was not included among the explanations provided. Without an acceptable cost allocation plan we applied the MTDC, or the default allocation methodology, to the YWCA data. During the subject fiscal year the YWCA had general administrative costs of \$2,036,369 and a MTDC cost base of \$10,182,435 for an indirect cost rate of 20%. CCIS had direct costs, adjusted for the factors above, of \$6,186,183, which yielded an indirect cost allocation of \$1,237,237 ($\$6,186,183 \times 20\%$). A comparison of the amount provided under the MTDC to the amount actually billed by the YWCA for FY 08/09 indicates the YWCA's charge for indirect costs exceeds allowable charges by \$343,436 ($\$1,580,673 - \$1,237,237$).

Subsequent to the completion of our fieldwork but prior to release of our draft audit report, the YWCA completed a three month time study (March 8 through June 5, 2010) of general and administrative staff activities. The study determined that staff were involved in CCIS related activities 42.84% of the time. OMB A-122 states MTDC is the default allocation basis for general administrative and general expenses and that "the essential consideration in selecting a [allocation] base is that it is the one best suited for assigning the pool of costs to cost objectives in accordance with benefits derived." Clearly, an allocation based on a study of the actual activity of the staff to be allocated would be more likely to be accurate and therefore better suited for assigning costs than one based on a program's direct costs.

Had FY 08/09 indirect costs been allocated using the results of this time study, the allocation to CCIS would have been \$872,380, or \$ 708,293 less than what the YWCA actually charged.

Recommendation

The BFO recommends that OCDEL recover from the YWCA \$343,436 for CCIS indirect cost invoiced in excess of actual cost incurred during FY 08/09.

The BFO further recommends that OCDEL require the YWCA to revise its FY 09/10 expenditure reports to reflect the CCIS allocation identified in the March 8 through June 5, 2010 time study of administrative staff activity, which indicates a CCIS indirect cost allocation of 42.84%.

The BFO also recommends that the YWCA allocate FY 10/11 indirect costs using the results of the March 8 through June 5, 2010 time study, which indicates a CCIS indirect cost allocation of 42.84%.

Issue No. 2 - Inadequate Funding by OCDEL of TANF Administrative Costs Resulted in An Inequitable Allocation of Costs Among Low Income, Former TANF and TANF Funding Streams

The YWCA utilizes what they have identified as a "strategic allocation" to charge administrative and support services to the CCIS funding streams. This methodology allocates costs where funds are available irrespective of where they were incurred.

As previously addressed, the funding for CCIS is comprised of Low Income, Former TANF and TANF funds. The OCDEL apportions the allocations for each of these funding streams among the Service and Administrative/support components of the program. Funds allocated to the administrative/support area can be moved to the service area without OCDEL approval, but a transfer from the service area to the administrative area requires written approval from OCDEL.

During FY 08/09 the total of the TANF funding directed to fund administrative and support services was limited to 3.31% of the TANF allocation while the amount allocated to fund similar costs under Low Income and Former TANF was 13.89% and 9.18% respectively. The YWCA found the TANF allocation to be inadequate to support an equitable allocation of Administration/Support costs. As a result the unfunded costs were "strategically" allocated to Low Income and Former TANF. This resulted in a misrepresentation of the actual administrative costs incurred by the funding streams. For FY 08/09, the following schedule provides a comparison of the percentage of CCIS total Service funding by source, with each

source's percentage share of total CCIS Admin/Support funding:

<u>Fund</u>	<u>Service Allocation</u>	<u>% of CCIS Service</u>	<u>CCIS</u>	
			<u>Admin/Support Allocation</u>	<u>% of CCIS Admin/Support</u>
Low Income	\$29,772,114	40.1%	\$4,804,346	61.5%
Former TANF	26,236,378	35.3%	2,408,879	30.8%
TANF	18,264,194	24.6%	603,806	7.7%

Using the "strategic allocation" methodology, the YWCA allocated very little or some cases none of cost categories from which TANF benefited. Examples of these costs included: salaries and benefits of provider and customer service representatives, provider service supervisors, the CCIS Director, the Child Care Partnership Vice President, the CCIS Training/Compliance Director, and payroll, accounting, and human resources staff. It also allocated TANF none of the cost of interest, maintenance, temporary staff and consultants. The result of this, as illustrated above, is that the Low Income fund paid costs that should have been paid with TANF funds.

As part of its grant agreement with OCDEL, the YWCA is required to comply with cost principles outlined in the U.S. Office of Management and Budget Circular A-122 (OMB A-122), Cost Principles for Non-Profit Organizations. OMB A-122 requires that costs be allocated in a manner best suited to assigning costs to cost objectives in accordance with benefits derived. Due to insufficient TANF Administration/Support funding, CCIS cost allocations were not in accordance with benefits derived and not in compliance with OMB A-122.

Recommendation

The BFO recommends that the YWCA develop a cost allocation plan that distributes costs equitably to all CCIS funding sources in compliance with OMB A-122.

The BFO also recommends that OCDEL revise its methodology for allocating funds to ensure an accurate distribution of costs between the Service and Administration/Support components.

Issue No. 3 – The YWCA Was Reimbursed \$30,950 for Unallowable Uncollected Overpayments

For FY 08/09, OCDEL paid the YWCA \$30,950 for an expense described as "uncollected overpayments." This amount represents improper payments made to child care providers, which the YWCA could not recover from the provider. OCDEL reimburses the YWCA for this unrecovered amount. Payments by site and grant were as follows:

<u>Fund</u>	<u>City</u>	<u>North</u>	<u>South</u>	<u>Total</u>
Low Income	\$148	\$10,000	\$5,110	\$15,258
Former TANF	<u>1,968</u>	<u>5,000</u>	<u>8,724</u>	<u>15,692</u>
Total	\$2,116	\$15,000	\$13,834	\$30,950

Although the billing of these costs was authorized by the OCDEL we cannot agree with the presentation of these costs as reimbursable. According to OMB A-122, Attachment B, Section 5, Bad Debts states, "bad debts, including losses (whether actual or estimated) arising from uncollectible accounts and other claims, related collection costs, and related legal costs are unallowable."

Recommendation

The BFO recommends that OCDEL recover from the YWCA \$30,950 (\$15,258 from Low Income and \$15,692 from Former TANF) for uncollected overpayments, which are unallowable based on OMB A-122, Attachment B, Section 5.

The BFO also recommends that OCDEL cease the practice of reimbursing for uncollected overpayments.

Auditors Commentary

The YWCA views and comments on the report findings and recommendations are attached and are identified as an Appendix. The YWCA's comments on Issue No. 1 are misleading. The YWCA describes the indirect cost methodology applied by the BFO to compute allowable indirect costs as hypothetical. While this methodology was not applied by the YWCA to distribute its indirect costs it is the most appropriate methodology given that the YWCA failed to maintain or document its distribution methodology.

OMB-122 directs the selection of method or a base that is best suited for assigning the pool of indirect costs to the various programs in accordance with the benefits derived. A traceable cause and effect relationship between the direct costs incurred and the indirect costs needed to support these costs. The audit appropriately adjusts the allocation base to remove the value of the amounts paid to the day care vendors. Including these costs in the base assumes that it costs 300 times more to cut a \$30,000 check to a day care center than a \$100 check to a family day care mother. Allowing the day care payments to remain in the base inappropriately draws more of the indirect cost pool to the day care contract.

The YWCA is accurate in its notification that a consistent application of this methodology results in unfunded costs for the Regional Key. The contract for the Regional Key establishes the maximum amount of indirect costs that can be charged to 2%. The YWCA has already charged and was reimbursed the maximum for the Regional Key. Any additional charges would not be considered allowable.

The YWCA elected not to schedule an exit conference.

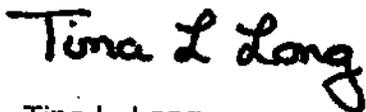
In accordance with our established procedures, an audit response matrix will be provided to your office. Once received, please complete the matrix within 60 days and email the Excel file to the DPW Audit Resolution Section at:

RA-pwauditresolution@state.pa.us

The response to each recommendation should indicate your office's concurrence or non-concurrence, the corrective action to be taken, the staff from your office responsible for the corrective action, the expected date that the corrective action will be completed, and any related comments.

Please contact Alex Matolyak, Audit Resolution section, at (717) 783-7786 if you have any further questions concerning this audit or if we can be of any further assistance in this matter.

Sincerely,



Tina L. Long

**Audit Response YWCA Greater Pittsburgh
Appendix**



Magdeline Jensen, CEO

YWCA Greater Pittsburgh
305 Wood Street
Pittsburgh, PA 15222

greater pittsburgh

May 13, 2011

Mr. Michael J. Kiely
Audit Manager
Department of Public Welfare
Bureau of Financial Operations
Western Field Office
Room 320, 11 Stanwix Street
Pittsburgh, PA 15222

Dear Mr. Kiely,

I write in response to a letter dated April 27, 2011, from Tina L. Long, Acting Director of the Bureau of Financial Operations, Department of Public Welfare, regarding a draft audit report for the YWCA Greater Pittsburgh. This letter provides our comments regarding the second draft report.

The audit report identifies three issues with recommendations. Our response and comments will be directed to each distinct issue.

Issue No. 1 originally recommended recovery of indirect costs of \$606,800 for CCIS and \$46,982 for the Regional Key, which were alleged to have exceeded the allowable indirect costs. These figures were calculated because a YWCA internal document which distinguishes two categories of indirect costs was misinterpreted. One column of the document was interpreted as a reduction in indirect costs when both columns actually detail two categories of indirect costs. The original indirect costs submitted to DPW were correct.

Following our response which pointed out the misinterpretation error, the auditor requested that we create a hypothetical methodology as follows,

"Please indicate the actual amount of General Administration expense for FYE 6/30/09 that would have been allocated if the contractual limit, e.g., (CCIS-2%), was not in place and written documentation to support this methodology."¹

¹ See attached copy of email from John Williams dated March 4, 2011.

Our CFO Valerie Wheatley spent a considerable amount of time creating this methodology which did not exist in FY 2008-2009. Based on this hypothetical methodology, the auditors now recommend that the YWCA return \$343,436 for the CCIS grant. Ironically, the same hypothetical methodology applied to the second grant under audit, the Regional Key grant, would have resulted in more than \$200,000 that would have been owed to the YWCA. After receiving the information provided by our CFO, the auditors recommend return of funds from CCIS, but are mute regarding what would have been owed to the YWCA in the Regional Key grant.

Regarding the accuracy of our original indirect costs, the draft report indicates that a supportable cost allocation was not included among the explanations provided. In fact the cost allocation was supported by written documentation and verbal explanation including a discussion with the YWCA's external, independent auditor, Alpern Rosenthal, explaining its test of the YWCA compliance with OMB A-133 and A-122. Additionally, Alpern Rosenthal has issued "unqualified" audit opinions for the fiscal year under scrutiny and subsequent years. The outside Auditor Reports on Compliance and Internal Control over Compliance, which includes A-122 Indirect Cost Allocation standards, stated, "In our opinion, the YWCA complied, in all material respects, with the requirement that are applicable to each of its major Federal programs."

Both contracts under scrutiny had a contractual limit of 2% for General Administration expenses. It is troubling that the auditors asked us to create a hypothetical methodology without contractual limit and applied it to the CCIS grant for which our expenses would have been reduced; but did not apply the same methodology to the Regional Key grant which would have resulted in funds owed to us. This result calls the neutrality of the auditors into question.

We contend our original DPW indirect costs were correct and were repeatedly approved by DPW in budget submissions and in billings. It is unfair and unprofessional to change contractual rules and policies after the contract has been fulfilled and then retroactively apply them to recover funds.

The auditors recommend that the YWCA revise invoices for fiscal year 2009-2010 as well as our current indirect cost methodology using a YWCA time study they examined during their audit investigation. This time study was developed at the request of our external auditors to justify the current internal indirect cost methodology and the assumptions associated with applying that methodology. However, the current internal methodology focuses on internal corporate-specific activities across all of our many programs. The auditors took a time study that was uniquely designed for another purpose and arbitrarily used it to request a recovery of funds for FY 09-10 and FY 10-11. This methodology is completely different from the hypothetical approach used for FY 08-09. Such inconsistency is puzzling as well as alarming.

Issue No. 2 details the fact that OCDEL did not allocate adequate TANF Administration/Support funds to the YWCA for FY 08/09. It documents that unfunded costs for Administrative/Support funds were "strategically" allocated to Low Income and Former TANF grants. What the letter does not reflect is that the procedure was approved by DPW prior to the allocation. The Welfare to Work legislation creating Child Works focused on people returning to work from welfare, or TANF in PA, by providing subsidy for child care. Without the OCDEL approved

accommodation of allocation across the CCIS grants, the YWCA would have had to cease childcare subsidy to qualified TANF clients due to insufficient administrative funding -- the population the funds were intended to assist -- contrary to the legislative intent of the CCIS program.

On page 2 under Issue 2 "Highlights of Recommendations," two recommendations are summarized as follows:

1. "The YWCA should develop a cost allocation plan that distributes costs equitably to all CCIS funding sources in compliance with OMB A-122."
2. "OCDEL should revise each of the three CCIS allocations to reflect an accurate distribution of costs between Service and Administrative/Support components."

We agree with both recommendations, but respectfully point out that until recommendation #2 is implemented, it was impossible in FY 08/09 to have accomplished recommendation #1. Our **approved** solution allowed us to provide services to TANF clients from funding within the total CCIS grant across the three funding categories.

Issue No. 3 indicates the YWCA was reimbursed for "unallowable uncollected overpayments" in the amount of \$2,116 to the City CCIS, \$15,000 to the North CCIS and \$13,834 to the South CCIS, for a total of \$30,950. However, uncollected overpayments which are unrecoverable and less than 1% of the service budget are authorized costs according to OCDEL, a fact which is stated in the revised draft audit report.

Following the OCDEL budget template, that included an "Uncollected Overpayment" line, and guidance provided in the CCIS Policy and Procedures Manual, the YWCA submitted, and received approval of, CCIS budgets for Low Income and Former TANF that allowed for 1% or less in uncollected overpayments. The \$30,950 uncollected overpayment is less than 1% of the budget.

The YWCA continues to follow OCDEL guidance and requirements related to allocating and accounting for uncollected overpayments as outlined below.

From the current CCIS online Policy and Procedures Manual, Funds Management, Section 109.7.1 (FSS Budget Set-Up), number 8 -- "Note: Up to 1% of the Service budget may be allocated to Uncollected Overpayments on the FSS budget. "

From the Current CCIS online Policy and Procedures Manual, Provider Overpayment and Recovery, Section 306.3 (Uncollected Overpayments and Budget Revisions) -- "Rider 2 of the CCIS Grant states that the Grantee must monitor overpayments monthly and report to the Office of Child Development and Early Learning (OCDEL) if the total sum of all overpayments exceeds 1% of the service budget CCIS agencies can record "Uncollected Overpayments" on a line in Family

Support Services (FSS). Based on the Grant, no more than 1% of the funding source Service allocation can be entered within this line.

Form the current CCIS online Policy and Procedures Manual, Recaps, Section 111.5.2 (Process for Reporting Expenditures), number 9 – “These are Un-Recouped Overpayments – if these cannot be recouped and are under 1% of your Allocation they can be paid out of your Family Support Services Budget under Uncollected Overpayments.”

The Highlights of Recommendations section of Issue No. 3 on page 3 of the revised draft report provides, “OCDEL should recover \$30,950 from the YWCA and cease the practice of reimbursing CCIS agencies for uncollected overpayments.” On page 7 of your report, the following sentence appears, “Although the billing of these costs was authorized by OCDEL we cannot agree with the presentation of these costs as reimbursable.” From our perspective, the operative part of this sentence is “**Although the billing of these costs was authorized by OCDEL . . .**” which verifies these costs were allowable.

This analysis of the auditors seems to display their disagreement with OCDEL policy in place. In my judgment, the same concept appears to be in play in Issue No. 1. They did not agree with how we were paid for allowable General Administration expenses. Instead, they requested we create another scenario for such expenses and used the hypothetical method to recover funds, but for only one of the two contracts under scrutiny.

In sum, it is our position it is unfair and unprofessional to change contractual rules and policies and then retroactively apply those changes to recover funds. Further to selectively apply the retroactive rules raises an additional issue of fairness and professionalism.

We do not request an exit conference. We waive the forty-day time frame and request that you submit the auditors’ revised report with this letter attached so that the process can move forward without delay.

If any additional information or clarification is necessary, we will provide it.

Sincerely,



Magdeline E. Jensen
Chief Executive Officer

Attachment: Email from John F. Williams to CFO Valerie Wheatley dated March 4, 2011.

