

The City of Indianapolis - Office of Public Health and Safety

Assessment of Contractor's Costs Incurred

January 22, 2021



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I. Executive Summary

The City of Indianapolis Office of Public Health and Safety (the City or OPHS) engaged Crowe LLP (Crowe) to perform a contractor's incurred costs assessment. The purpose of this assessment was to determine whether Child Advocates, Inc. (CA or contractor) incurred reasonable costs in pursuing the objectives of their services agreement (the Agreement) with OPHS. These objectives included providing volunteer, court-appointed special advocates (CASA or the Services) to children in need of services (CHINS or the Services) for the period of January 1, 2020 through October 31, 2020.

Crowe interviewed contractor management, OPHS personnel, and the State Director of the Court Appointed Special Advocate (CASA) program to gain an understanding of administrative practices. We reviewed the contractor's policies and procedures, monthly invoices to the City, and supporting documentation. We tested expenses which CA invoiced to the City for reimbursement to validate the allowability of the reimbursement under the terms of the Agreement.

Conclusion

We made nine (9) observations related to the costs incurred by CA, the Agreement, or City recordkeeping. Of the nine observations, we classified three (3) as compliance observations, and six (6) as performance observations. Compliance observations related to noncompliance with the Agreement. Performance Observations related to improvements that can be made to the Agreement or to management practices to improve the efficiency and effectiveness of program administration. We have provided a summary of observations below.

Observation	Summary	Recommendation
Compliance Observation #1 – Personnel Expenditures	Since CA did not provide supporting evidence for their calculations, Crowe could not verify that CA personnel expenditures invoiced to the City were reasonably accurate.	Crowe recommends that CA implement a control mechanism to substantiate its methods and assumptions for directly allocating personnel expenditures to the Services.
Compliance Observation #2 – Indirect Cost Allocation	Since CA applied approximately the same percentage used to calculate its personnel costs to its indirect costs invoiced to the City, and since CA did not provide evidence to support its methodology, Crowe was unable to validate the reasonableness of CA's indirect cost allocation method.	We recommend that CA review their indirect cost allocation method and verify that the basis of measurement is relevant for each expense. CA should document their indirect cost allocation plan and include or reference it in the Agreement.
Compliance Observation #3 – Monthly Invoice Support	CA did not submit the supporting documentation required in the Agreement.	Crowe recommends that CA submit the required monthly invoice support with their monthly invoices, as specified in Attachment A to the Agreement, Duties of Contractor Section, Duty 4a through 4d.

Observation	Summary	Recommendation
Performance Observation #1 – Setting a Maximum Compensation Amount	The contractor's total compensation limit was set in the Agreement at \$5.4M or \$4 per service day, but there was no documentation to explain the basis for the calculation. We also noted that CA does not inform the City of its planned annual expenditures for the Services to be charged to the City for reimbursement during the contract period.	We recommend that the City and CA amend the total compensation limit to base it on CA's planned expenditures for each year of the Agreement. We recommend that CA provide OPHS with their board-approved annual operating budget as a prerequisite to executing the Agreement, which should include maximum compensation amount based on CA's annual budget.
Performance Observation #2 – Defining Expense Categories	The Agreement requires that the contractor include definitions of each expense category on its invoices. However, the specific expense categories required were not specified in the Agreement.	We recommend that the Agreement be updated to specify the expense categories that CA must define on its invoices.
Performance Observation #3 – Record of Payment	We noted that 54 of 58 expenditures tested did not include the record of payment (i.e., CA provided invoices but no documentation to show that it had been paid).	We recommend that CA include evidence of payment for invoiced expenses (e.g., zero-balance due statement, bank statement). This will provide additional information to the City to show that CA is billing for actual costs incurred.
Performance Observation #4 – City Recordkeeping	We requested OPHS to provide us with the monthly invoice supporting documentation that it received from Child Advocates, for January through September 2020, but OPHS was not able to provide all requested documents.	Crowe recommends that the City complete a recordkeeping checklist that includes each element of the CA monthly invoice supporting package (as specified in Attachment A to the Agreement, Duties of Contractor Section, Duty 4a through 4d.), to verify that required information was provided each month.
Performance Observation #5 – Timeliness Invoicing	The Agreement requires timely submittal of monthly invoices, but does not define the criteria to meet this requirement.	Crowe recommends that the City and CA amend the agreement to establish a definition of timeliness for the monthly submission of invoices by the contractor. This may help improve the efficiency of the payment processing cycle.
Performance Observation #6 – Documenting the Program-Related Purpose of Expenditures	We noted 20 of 58 expenditures where the program related purpose of the expense was not clear and not documented.	We recommend that CA document the bona fide business purpose (i.e., how the expense was incurred in carrying out CHINS or performing "Additional Services") for each expense charged to the City and include that documentation in the monthly invoice support sent to OPHS. We also recommend that the City and CA amend the Agreement be amended to clarify which costs are reasonable and allowable.

II. Project Background, Objectives and Scope

Child Advocates, Inc. (CA) was retained by the Marion County Court System beginning in 1982 to provide legal representation for children and youth in need of services (CHINS). CA is also contracted to provide court appointed special advocate (CASA) services to those CHINS cases as appointed to the agency by the judges of the Marion Superior Court. In 2019, the Agreement between CA and Marion County Courts was transferred from the county court system to the City of Indianapolis Office of Public Health and Safety (the City or OPHS). Specific services provided by CA include:

1. Accepting appointments from the court and assigning cases to staff and volunteers;
2. Accepting appointments within thirty (30) days;
3. Appearing at all court hearings in a timely manner;
4. Maintaining Guardian ad Litem/CASA presence at Initial CHINS hearings;
5. Assigning volunteer CASAs to as many cases as the supply of Contractor's volunteers allows;
6. Maintaining reasonable contact with children to whom the agency is appointed, sufficient to form an informed recommendation via oral or written report;
7. Conducting an independent investigation;
8. Providing representatives to committees as requested by the Court Juvenile Division, in order to assist in system improvement and communication; and
9. When specific conditions dictate, including but not limited to the advocate is a witness, agreeing to furnish counsel without additional charge

Under CASA, the contractor provided services in termination of parental rights (TPR) proceedings involving children in need of services, CASA services as appointed in certain Juvenile Court proceedings, and a mediation program for use by parties in TPR proceedings and other Juvenile Court proceedings. The Agreement referred to these services as "Additional Services".

Purpose

The purpose of this assessment was to determine whether Child Advocates, Inc. (CA or contractor) incurred reasonable costs in providing the agreed-upon services for OPHS.

Scope

Crowe conducted an assessment of costs incurred by CA and reimbursed by the City for the period of January 1, 2020 through October 31, 2020. The Agreement allows CA to be reimbursed over a one-year term for the actual cost of the Services up to a total compensation limit of \$5.4M. The scope of this engagement included only costs incurred by the contractor and invoiced to the City. For the purposes of this assessment, we have defined "reasonable costs" as expenses incurred with a clear, bona fide business purpose for the achievement of the CHINS or Additional Services as defined in the Agreement.

A summary of the procedures completed during the assessment have been provided in the Procedures Performed section below. Please note that internal controls are designed to provide reasonable, but not absolute assurance that errors and irregularities will not occur, and that operations are performed in accordance with management's intentions. Because these services did not constitute an audit, review, or examination in accordance with standards established by the American Institute of Certified Public Accountants, Crowe did not express an opinion on the reasonableness of costs incurred by CA during the assessment period. If Crowe were to perform additional procedures, other matters might have come to Crowe's attention that would be reported to the City. Crowe make no representations as to the adequacy of these services for the City's purposes.

III. Procedures Performed

A summary of the procedures completed during the assessment have been provided in the tables below.

Procedures
1. Crowe prepared and submitted a material request letters to the City of Indianapolis and to Child Advocates.
2. Crowe conducted an Entrance Conference with the City to discuss the project timeline, deliverables, and expectations. Additionally, Crowe inquired about the history of the contract and the relationship between the City and contractor.
3. Crowe requested, obtained and summarized CA's methodology for determining the cost of providing CHINS services (funding formula), contractor personnel data, and invoice supporting documentation.
4. Crowe conducted an internal risk brainstorming session to determine key risks and material risk factors (including fraud) and listed the risks to recommend procedures to address them.
5. Crowe created a summary of the requirements of the Agreement in order to determine an assessment approach for what should be tested.
6. Crowe obtained an understanding of CA processes through documentation supplied by CA, interviews with CA leadership and accounting staff, City personnel, and an interview with State of Indiana CASA leadership.
7. Crowe developed an assessment plan based on the availability of documentation and the City's objectives for the assessment.
8. Crowe assessed whether the contractor (CA) had submitted monthly invoices in a timely manner.
9. Crowe assessed whether the contractor's total compensation to date had exceeded the contract limitations outlined in section 4.03 of the Agreement.
10. Crowe assessed whether the contractor had obtained advance written approval from the City for any subcontracted work, and that the work has been contracted in accordance with the Minority, Women's, Veteran's, or Disability-Owned Business Enterprise requirements outlined in section 5.02 of the Agreement.
11. Crowe assessed the completeness of the contractor's supporting information and documentation provided with the monthly invoices to determine its alignment with approved Agreed-Upon Procedures, as referenced in Attachment A (bullet-point 4) of the Agreement, and determined the reasonableness of the expenses in relation to providing CHINS services.
12. Crowe sampled monthly invoices and assessed whether the detailed descriptions and support for direct and indirect costs necessary to substantiate the cost of CHINS services were complete, accurate, reasonable, and allowable.

Procedures

13. Crowe reviewed the contractor's distinction between direct and indirect costs for reasonableness and eligibility for reimbursement under the terms and conditions of the Agreement. Crowe reviewed whether the definitions under each expense category are reasonably accurate and properly reported. Crowe reviewed cumulative expenses to verify that the expense categories were used appropriately, and expenses were properly supported.
14. Crowe reviewed supporting documentation for travel expenses submitted to verify the completeness and accuracy, and compliance with the Marion Superior Court Grant Policies and Procedures specific to Travel Reimbursement.

IV. Results of Procedures Performed

Crowe identified opportunities to clarify the Agreement terms and conditions and improve the administration of the contract. These items were documented as "observations" and are included in the following section. By examining the various observations, we noted several themes which we have summarized below to communicate the overall results of our assessment.

Expense Categories and Indirect Cost Allocation Method. We noted areas of the Agreement where the requirements were unclear. One of these areas is the expense categories. Specifying the required expense categories that CA must define may help clarify how to properly classify costs by type. This would also clarify which types of costs are allowed under the Agreement.

In addition, we recommend the Agreement be updated to include the indirect cost allocation plan. There is a lack of clarity between the City and CA on how indirect costs should be allocated. The largest indirect cost which CA invoices the City is the cost of labor. Currently, CA uses an approach based on headcount, but not actual time spent by activity. While the Agreement is silent on which allocation to use, a method based on actual time spent by CA personnel would more clearly support the actual costs of providing CHINS or Additional Services.

Reasonableness of Costs Incurred. We tested CA invoices to determine whether the billings were reasonable and if expenditures clearly related to carrying out the Services. We tested 58 expenses totaling \$137,843, and identified 20 expenses (totaling \$10,128) that we did not consider to be clearly related to the duties of the contractor. We used the Agreement as a general guideline for determining reasonableness; however, the Agreement was silent on the specific types of costs which were considered reasonable to carry out the contractor's duties. Therefore, we determined reasonableness based on an expense's clear, bona fide business purpose for the achievement of CHINS or Additional Services objectives.

Enhancements to the Agreement. To improve CA's level of transparency and accountability for managing costs within the contract limits, we recommend the City and CA update the Agreement to:

- Require CA to provide the City with an approved annual budget documenting planned expenditures for the Services.
- Define timely submission of invoices to the City to maintain an efficient payment processing cycle.

Insufficient Monthly Invoice Support. Crowe requested the City to provide the monthly invoices and supporting documentation that CA provided them. We noted that the City was unable to locate all supporting documentation required by the Agreement (Attachment A Duties of Contractor Section, Duty 4a and 4d). Specifically, the expenses related to Additional Services (as defined in the Agreement) were not "separately enumerated" for each month as required by the Agreement.

In addition, we noted that CA did not include monthly explanations of expense category increases or evidence of payment. While we were able to verify that total amounts invoiced agreed to the Statement of Activities, we were unable to determine CA's method for classifying expenses by column (e.g. Program, Volunteer, Legal and G&A).

V. Observations and Recommendations

The observations summarized below were based on our assessment of CA's costs incurred and invoiced to the City, supporting documentation, and the Agreement terms and conditions. These observations represent areas where we determined that CA has not demonstrated compliance with the Agreement or where we noted operating inefficiencies. Each observation includes a recommendation of how the City and CA can improve contract and program administration.

We classified each observation as either a "Compliance Observation" or a "Performance Observation". Compliance observations related to noncompliance with the Agreement. Performance Observations relate to improvements that can be made to management practices to improve the efficiency and effectiveness of program administration. There are a total of nine (9) observations, including three (3) that were classified as Compliance Observations and six (6) that were classified as Performance Observations.

Compliance Observations

Compliance Observation #1 – Personnel Expenditures

Condition: Crowe was unable to verify that the allocation personnel expenditures to the CHINS program and invoiced to the City were reasonably accurate as time keeping records to support employee activity were not provided. Personnel is the largest expense category for which the City reimburses CA, and in the two months we tested (January and July 2020), personnel costs averaged approximately 89% of total monthly expenditures. We used the July 2020 invoice as an example to explain CA's process for calculating the services portion of personnel expenditures.

1. CA has assigned a percentage to each department's employees based on management's experience and judgment to indicate how much time and effort those employees spend on the Services. For example, management determined that the four employees from the Custody Department spend approximately 50% of their time on the Services, so that department's personnel costs are billed to the City at a 50% rate.
2. CA multiplied each employee's salary by the allocation rate to calculate the amount to be invoiced.

While using estimates to calculate these expenditures is generally acceptable, the estimates should be supported with evidence and validated periodically. Management did not provide documentation to support the reasonableness of the rates assigned to each department. Management also informed us that they do not have controls in place to validate their estimates (e.g., a time and effort tracking system, time study, monthly certification process, etc.). We used information from the July 2020 invoice documentation to illustrate the rates at which management billed personnel expenditures by department.

Department	Number of Employees	Allocation Rate	Invoiced to City
Custody Department	4	50%	\$ 18,414
Volunteer Department	4	100%	\$ 36,608
Volunteer Department	1	50%	\$ 5,572
Advocate, Education, Liaison, Marketing, and Trainer	53	100%	\$ 387,508
Advocate, Education, Liaison, Marketing, and Trainer	1	80%	\$ 8,904

Department	Number of Employees	Allocation Rate	Invoiced to City
Advocate, Education, Liaison, Marketing, and Trainer	1	50%	\$ 5,572
General Administration	9	90%	\$ 80,169
Legal and Mediation	15	100%	\$ 146,967
Total	88		\$ 689,714

*Source: Child Advocates Personnel Expenditures for the Month of July 2020

Criteria: Attachment A to the Agreement, Duties of Contractor, Duty #3 states that the Contractor will invoice the City monthly for the actual cost of the Services. With respect to CHINS Services, the worksheet approved by the Agreed Upon Procedures (including information detailing the actual monthly expenses within each worksheet category) must be submitted with the monthly invoice as support for the costs incurred.

Recommendation: We recommend that CA provide evidence to substantiate personnel expenditures assigned to the Services. Commonly used mechanisms include time studies, employee certifications of time and effort, and time-tracking systems which require employees to record their time by activity. CA management should review documentation produced by these mechanisms for reasonableness and accuracy and include the documentation as support for amounts invoiced to OPHS.

Compliance Observation #2 – Indirect Cost Allocation

Condition: Crowe was unable to validate the reasonableness of CA's indirect cost allocation method. Management allocated general and administrative costs to the Services based on estimated personnel time and effort. Management informed Crowe that their indirect cost allocation plan was not documented, but was based on their institutional knowledge and professional judgment. Furthermore, personnel time and effort may not be an appropriate basis to allocate all indirect costs. For example, personnel allocations of time spent on the Services may not be reasonable for expenses like rent or utilities, especially if employees primarily work remotely.

CA also applied a separate allocation method to General Administration (G&A) personnel expenditures. Again, Crowe was unable to validate the reasonableness of this calculation since key assumptions were not supported by documentation. CA directly charged G&A personnel expenditures to the City at approximately 90%, and then added that amount to total indirect costs (this was done prior to applying the indirect cost allocation rate, which is also 90%). CA calculates 90% of the total indirect costs plus 90% of G&A personnel expenditures, which is the amount invoiced to the City. This resulted in an effective rate of 82% charged to the contract for GA employees and 90% for all other indirect costs. The following is the equation CA used to calculate indirect costs.

$$((G\&A \text{ Personnel Expense} \times 90\%) + \text{Total Indirect Costs}) \times 90\% = \text{Indirect Cost Allocation to City}$$

Criteria: Attachment A to the Agreement, Duties of Contractor, Duty #3 states that the Contractor will invoice City monthly for the actual cost of the Services. With respect to CHINS, the worksheet approved by the Agreed Upon Procedures (including information detailing the actual monthly expenses within each worksheet category) must be submitted with the monthly invoice as support for the costs incurred.

In addition, best practices for internal controls generally advise that indirect cost allocation plans be documented for clarity and consistency of application.

Recommendation: We recommend that CA review its indirect cost allocation practices to verify that the basis of measurement is relevant for each expense (i.e., confirm if headcount is the appropriate measure for each allocation), and make any necessary revisions. CA should document their indirect cost allocation plan and work with OPHS to confirm its reasonableness. The validated plan should be included or referenced in the Agreement. CA should provide documentation with each monthly invoice to support their adherence to the indirect cost allocation plan.

Compliance Observation #3 –Monthly Invoice Support

Condition: The Agreement requires that the contractor submit separate enumerated expenses related to the Services and monthly explanations of expense category increases; however, the contractor did not include this information with their monthly invoices during our assessment period. In addition, the Agreement does not specify the rate of increase in cost that would require additional documentation or explanation.

The invoice package that CA submits to the City each month includes a Statement of Activities, which provides a breakdown of expenses based on categories (e.g. volunteer expenses, postage and delivery, office supplies, insurance, etc.). Accompanying this Statement of Activities is a definition of each category; however, CA does not define which specific expenses are associated with each category.

Criteria: Attachment A to the Agreement, Duties of Contractor Section, Duty 4a. and 4d states:

Contractor will additionally submit the following with each monthly invoice as support for all costs being invoiced, including for CHINS, Additional Services, and any other expenses:

- A definition of each expense category, including a separate enumeration of (1) expenses directly related to CHINS Services, (2) expenses directly related to the Additional Services, and (3) "overhead" (including office space rental and marketing expenses) or other expenses not directly related to the provision of either type of service.
- Monthly explanations of expense category increases.

Recommendation: Crowe recommends that CA submit the required information with their monthly invoices, as specified in the Agreement. Specifically, Crowe recommends the following:

- CA should submit a separate enumeration of expenses directly related to CHINS and a separate enumeration of expense related to Additional Services with each monthly invoice.
- The Agreement should be updated to define the format that CA should use to separately enumerate the costs for its services.
- CA should submit monthly explanations of expense category increases with each monthly invoice.
- The Agreement should be updated to define the dollar threshold that would require a variance explanation and define what documentation is expected in the event of a variance.
- CA should provide an explanation for how each expenditure category is tallied into columns on the Statement of Activities.

Performance Observations

Performance Observation #1 – Setting a Maximum Compensation Amount

Condition: During interviews with OPHS and CA management, Crowe was informed that CA had exceeded its allowable reimbursement limit in prior years, and the City had made CA whole for the excess costs. CA explained that the additional compensation was appropriate since CA had provided more services than the City had allotted for in the Agreement. However, CA did not provide evidence to support that assertion.

We noted that the current Agreement included a limit on the total compensation that CA may receive during its one-year term. The limit was set at \$5.4M, or \$4 per service day, but there was no documentation to explain the rationale for this calculation. We also noted that CA does not provide the City with their annual planned expenditures for the Services. Without knowing the true cost of services, it is challenging to determine if the compensation limit is reasonable.

Recommendation: We recommend that OPHS require CA provide a board-approved annual budget for its planned services costs for the contract period, prior to the execution of the Agreement. This information may help inform the maximum compensation amount, and may prevent the need for additional compensation.

Performance Observation #2 – Defining Expense Categories

Condition: The Agreement requires that the contractor include definitions of each expense category, with each monthly invoice. However, the Agreement does not specify the required expense categories. Therefore, the City and CA do not have agreed-upon definitions to clarify what types of expenses are eligible for reimbursement.

Without having each expenditure category defined, it may not be clear to the City what types of expenditures CA has included in each expense category and if those expenditures are reasonable and allowable under the Agreement.

Recommendation: We recommend that the Agreement be updated to specify the expense categories that CA must define on its invoices. The current categories include personnel, volunteer expenses, program services, occupancy, professional fees, meeting, certification and recertification, credit card and other services charges, dues and subscriptions, insurance, interest expenses, office supplies, printing and publications, postage and delivery, telephone, mileage and parking, and capital assets.

Performance Observation #3 – Record of Payment

Condition: The assessment period covered expenses incurred during calendar year 2020. Crowe selected two monthly invoices for testing (January and July). From those invoices we selected a sample of 58 expenses which included the various expense categories (e.g., volunteer expenses, program expenses, occupancy, professional fees, meeting education and recertification, dues and subscriptions, credit card and other service charges, insurance, interest expenses, office supplies, printing and publications, advertising recruitment, postage and delivery, telephone, and mileage and parking). Crowe tested supporting documentation for these expenses for evidence of payment. Of the 58 expenses tested, 54 did not include documented evidence of payment.

Recommendation: We recommend that CA provide evidence of payment as a supporting document included in the monthly invoice package.

Performance Observation #4 – City Recordkeeping

Condition: We requested OPHS to provide us with the monthly invoice support that it received from Child Advocates, for January through September 2020. Child Advocates also informed us which documents they had included in their monthly invoice support packages to the City. We compared the information and determined that the City did not provide the complete invoice support package for the months of January, February, March and June.

Without proper recordkeeping it is difficult for the City to be able to determine that CA has provided the proper support required by the Agreement.

Recommendation: Crowe recommends that the City create a recordkeeping checklist to complete each month to verify that the City has received each required element of the invoice submittal package. This includes:

- Monthly invoice with actual monthly expenses detail
- Definition of each expense category, including a separate enumeration of (1) expenses directly related to CHINS, (2) expenses directly related to the Additional Services, and (3) "overhead" (including office space rental and marketing expenses) or other expenses not directly related to the provision of either type of service.
- Actual monthly expense totals for each expense category as currently being submitted;
- A listing and explanation of all individual actual costs that are included in the above totals for each expense category; and
- Monthly explanations of expense category increases.

Performance Observation #5 – Timely Invoicing

Condition: The Agreement between the City and Child Advocates, includes a stipulation for timely submittal of monthly invoices. Section 4.02 states, "...Contractor shall in a reasonable, prompt, and timely fashion submit properly itemized invoice(s) for services performed and expenses incurred under this Agreement, containing the information required by Attachment A, and shall cooperate with, and provide any other necessary information to the City...".

Without a definition for monthly invoice submission timeliness, the City cannot determine whether an invoice was submitted timely in accordance with the Agreement.

Recommendation: Crowe recommends that the City and CA update the Agreement to establish a definition of timeliness as it pertains to the monthly submission of invoices by the contractor. This may help improve the efficiency of the payment cycle.

Performance Observation #6 – Documenting the Program-Related Purpose of Expenditures

Condition: Crowe selected a sample of 58 expenses totaling \$135,843 for testing. The various CA accounting/expense categories were included in our sample, including volunteer expenses, program expenses, occupancy, professional fees, meeting education and recertification, dues and subscriptions, credit card and other service charges, insurance, interest expenses, office supplies, printing and publications, advertising recruitment, postage and delivery, telephone, and mileage and parking. Of the

58 samples, we could not determine that expenses were reasonable for 20 expenses. Based on the documentation provided it was unclear how those expenses were related to the Services. The exceptions are noted in the table below:

Category	Count of Expenses	Total Cost
Volunteer Expense	2	\$ 2,183
Program Expense	1	\$ 100
Professional Fees	3	\$ 1,551
Meeting, Education and Recertification	1	\$ 1,250
Due and Subscription	2	\$ 101
Credit Card and Other Service Charges	2	\$ 1,111
Postage and Delivery	1	\$ 11
Mileage and Parking	8	\$ 3,821
TOTAL	20	\$ 10,128

Recommendation: We recommend that CA include explanations to substantiate the bona fide business purpose for costs billed to the City in monthly invoice supporting documentation. We also recommend that the Agreement be updated to:

- Include a definition or criteria for determining “reasonable” costs.
- Specify certain types of costs that are explicitly unallowable, if applicable.

Appendix A: Child Advocates, Inc. Responses to Crowe Observations and Recommendations

We have provided a copy of the full response from Child Advocates, Inc. on the following pages.

Due to varying file types, these pages will not be reflected in the Table of Contents.

Child Advocates, Inc.

Formal Response to Crowe Assessment of Contractor's Costs Incurred

Draft Report

Background

Before addressing Crowe's Observations and Recommendations, it is necessary to provide historical context of the agreement for Guardian ad Litem/Court Appointed Special Advocate (GAL/CASA) services between Child Advocates, Inc. (CA) and Marion County Superior Court Administration (Court Administration). Child Advocates has a longstanding history providing GAL/CASA services to Marion County Superior Court dating back to its inception in 1982. The manner of funding has evolved over the years.

The funding mechanism supporting the GAL/CASA advocacy on behalf of abused and neglected children in Child in Need of Services (CHINS) cases is a combination of state support and county support. The expenses must be related to the CHINS cases to which CA is appointed in order to qualify for state/county funding, and CA must be certified by the Indiana State Office of GAL/CASA through Indiana Supreme Court requirements in order to qualify for funding. It is noteworthy that CA's expenses are and always have been reviewed annually by the Indiana State Office of GAL/CASA, Office of Judicial Administration in an agency certification process, yearly grant application process, and in quarterly and annual reports to said Office.

Initially, the legislative intent was to create a 50/50 state/county divide of the responsibility of supporting the advocacy. However, in 2010, the Indiana Court of Appeals determined counties to be the funding mechanism for any support needed for children beyond the statutory formulas. The Court of Appeals decision was fortuitous for children in Marion County because, due to lack of State increases in funding, the statutory formula, and foundations' decisions to no longer fund what they believed to be court-related expenses, CA had to place nearly 1500 children on a waiting list for statutorily required advocacy. When the decision came from the City Council and Mayor's Office to find resources to provide advocacy for the 1500 children on the waiting list, CA and Court Administration devised an "average cost per child" payment for monthly billing with a reconciliation at the end of each year. The reconciliation resulted in a credit to the County or an increase in payment to CA, depending on the total number of children served (those carried over from the prior year and those who were newly filed CHINS) at year-end.

The statutory formula and the Court of Appeals opinion address the expenses for advocacy for children in CHINS cases only. Child Advocates provides advocacy for every child who is the subject of a CHINS case in Marion County. It is notable that no other large city CASA program in the country serves all of the children in the child welfare system in their jurisdiction and other programs' costs are significantly more to double the cost of CA. Although there is no County or State funding for the following, CA continues to represent children in and/or provides services to the Court in:

1. Termination of the Parent Child Relationship (TPR) cases;
2. Family Crisis Advocacy in Custody cases (Divorce, Paternity, Minor Guardianship);
3. Mediations in CHINS cases for the last 3 years *;
4. Mediations in TPR cases for over 20 years *;
5. Permanency Facilitations in CHINS cases for the last 3 years *;
6. Facilitation of Statutorily Required Dual Status (CHINS and Delinquency) Assessment Team Meetings (DSATs) since Fall 2020; and
7. Interrupting Racism for Children workshops.

***Resulting in a significant savings in Court and other stakeholders' time and resources. An informal estimate from the OJA determined Child Advocates saved the County from having to have another judge and courtroom at Juvenile Court with the work of one TPR mediator.**

In 2010, CA engaged an independent auditor to conduct both its Annual Audit (a requirement of Not for Profits) and Agreed Upon Procedures to determine which expenses were reasonably and appropriately included in the cost per child calculation. Those expenses included the salary and related costs of employees serving CHINS cases, administrative costs, and other direct and indirect costs as defined in the Services Agreement. CA's Annual Audit and the Agreed Upon Procedures were submitted to Court Administration and its contract manager, the Director of Finance for Court Administration, each and every year for their review. When the Director of Finance for Court Administration changed, the successor met with CA and required CA provide more detail in expenses. Each year thereafter, CA provided the additional detail of expenses, the Annual Audit, and Agreed Upon Procedures to the Director of Finance and Court Administration.

In approximately 2017, the Court Administration requested CA change its method of billing from the average cost per child, to its actual expenses. The Services Agreement was modified to reflect the change to actual expenses, but the expense categories remained the same. Each year thereafter, CA continued to provide the Annual Audit and Agreed Upon Procedures to the Director of Finance and Court Administration. **It is noteworthy that to date CA has never had material deficiencies in any of its Annual Audits and has always filed its 990 Tax Returns in a timely fashion.**

Contract Assessment and Response

In February 2020, Court Administration transferred the Services Agreement between CA and Marion County for administration under the Office of Public Health and Safety (OPHS). CEO Cynthia Booth and CFO Felicia Brown of Child Advocates, and Matt Giffin, Tim Kelly, and Carlotta Duffy, of OPHS met to discuss the invoice process. During that meeting, the representatives from OPHS explained the process for billing through OPHS. Ms. Duffy displayed a current Marion County vendor, its invoice, and categories of supporting documents supplied with the invoice. CA understood the tutorial was to ensure CA's billing complied with OPHS' expectations and requirements. Ms. Brown of CA requested a review of CA's first invoice to OPHS for feedback on its appropriateness and sufficiency. OPHS approved the invoice and assured CA it had complied with the OPHS's requirements for billing. CA submitted all subsequent invoices in compliance with OPHS's requirements, continuing CA's practice of complying with and providing all documentation as requested to the OPHS and Marion County Court Administration. Specifically, CA included the Annual Audit of CA's Financial Statements conducted by an independent auditor every year dating back to 1997 and the Agreed Upon Procedures related to the appropriateness and reasonableness of allocation of expenses since 2010.

Compliance Observation #1 Personnel Expenditures

Condition: We challenge the accuracy of the assertion that CA “did not provide documentation to support the reasonableness of personnel costs charged to the Services.” CA followed the protocol established by the Court Administration via the Agreed upon Procedures and direction provided by the OPHS during a meeting in February 2020 and reviewed and approved by OPHS on or about March 9, 2020. At no time, was CA ever directed to provide or given notice to provide documentation of “time and effort tracking system, time study, monthly certification process, etc.”

1. Crowe reports that CA assigned a percentage of expenses allocated for reimbursement based “on management’s experience” and a “headcount.” This is factually incorrect. Employees who perform only in the CHINS programs and have no duties in any other program are allocated at 100%. The example given regarding the Custody Program is only partially correct. CA submitted documentation, not included by Crowe in the Assessment, indicating caseloads of the Custody Program that shows that 50% of their time is allocated to working in CHINS cases as Conflict GALs. CA uploaded said documentation into the Crowe system on or about December 16, 2020. The report included the Custody Program’s Conflict GAL caseload by name of employee, identifying case number, and date assigned. It is from this documentation we derive the allocation to the county.
2. It is factually incorrect that CA “multiplies each department’s headcount by their assigned rate to calculate the invoice amount.” CA provided actual payroll schedules to Crowe exactly as provided to OPHS per OPHS’ direction and discussed the personnel allocation with Crowe at length in a meeting on December 7, 2020 and a subsequent meeting on December 16, 2020. CA does not multiply department headcounts to calculate invoice amounts. Invoice amounts are based on actual payroll schedules as provided to OPHS and Crowe. Additionally, to verify the employees’ workloads, CA provided caseload information through OPTIMA reports that included the caseloads, activities, hearings, and other information related to the CHINS services billed. Crowe failed to acknowledge or reference these supporting documents, notwithstanding CA’s explanation of their significance as a method to demonstrate the scope of the activities included in the provided services.
3. It is factually incorrect that CA management informed Crowe that “on average, all employees spend approximately 90% of their time on the Services.” In a meeting on December 7, 2020 and a subsequent meeting on December 16, 2020, CA discussed with Crowe representatives the invoicing of personnel expenses. In both meetings and in documents provided to Crowe, CA explained the inclusion of personnel based on their job duties under the governing CHINS statutes, Agreed Upon Procedures submitted to the Court Administration each year, and Memorandum of Understanding between Marion County and the Indiana State Office of GAL/CASA, Office of Judicial Administration. Most importantly, CA provided a Payroll Excel report directly downloaded from CA’s payroll provider and included a Department Key from which to identify employee assignments to the CHINS program. CA *did* indicate the allocation of **General Administration** expenses were at 90% based on management of the employees minus the non-CHINS employees and programs in the agency.

CA Provided to Crowe: Optima Reports for Juvenile Court GALs, Attorneys, and Custody Program staff (229 pages of reports), Department Key, along with Payroll Report and Monthly invoices. All will be provided to OPHS and Court Administration upon request.

Compliance Observation #2 Indirect Cost Allocation

Condition: We challenge the accuracy of the assertion that “CA did not provide documentation to validate the reasonableness of allocating 90% of general administrative expenses to Services.”

CA provided a policy entitled *Basis for Allocation*, uploaded to the Crowe system on or about December 11, 2020, which detailed the basis for reasonableness of expenses allocated to CHINS services. CA believes the process by which it reasonably calculates Indirect Cost Allocation is based in statutory foundation under the governing CHINS statutes; Agreed Upon Procedures submitted over 10 years to the Marion County Court Administration, and the Memorandum of Understanding between Marion County and the Indiana State Office of GAL/CASA, Office of Judicial Administration. Additionally, CA believes the current formula used actually is less expensive for OPHS due to the use of the process providing an effective rate of 82% for General Administration costs.

Compliance Observation #3 Monthly Invoice Support

Condition: Crowe asserts CA did not include separate enumerated expenses in its monthly invoices.

However, CA provided an Excel spreadsheet of monthly expenses for January through September 2020. Each month included additional tabs that listed the expenses in the manner in which Crowe suggests: e.g. volunteer expenses, postage, etc. It appears that Crowe failed to open or review the tabs.

Compliance Observation #4 Documenting the Program-Related Purpose of Expenditures

Condition: Crowe indicates they selected 58 samples of expenses for testing and asserts that it was unclear how 20 of the expenses were related to the Services.

It is difficult to respond to the Observation without knowledge of the actual items tested. CA has requested identification of the items tested but to date has not received a response. Again, CA provided all documentation as requested by the OPHS at the beginning of the Services Agreement.

Performance Observations #1 Setting Compensation Limits

Condition: Crowe asserts that CA did not provide evidence to support that additional compensation as additional services were provided.

Crowe displays a fundamental misunderstanding about the services provided in the Services Agreement and a factual error as to the provision of the CA annual budget to OPHS.

First, CA provides services on behalf of the County to advocate for the best interests of children who become Children in Need of Services. The number of children coming into the CHINS system is not controlled by CA. Instead, the number of children coming into the system is dependent on factors that no one entity can control. Examples of these factors include community challenges of substance abuse, domestic violence, mental illness, and financial stress; Department of Child Services removal responses and policies; Judicial oversight and policies on child welfare; requests from the judges for CA to provide additional services, such as the Conflict GAL program, and most importantly, statutorily mandated appointments by the Court. In discussion with Crowe in December of 2020, CA cited the real life

example of the devastating impact the opioid crisis had on the child welfare system. A direct effect of the crisis was an unprecedented increase in the number of children entering Marion County's child welfare system to over 10,000 children.

Secondly, Crowe's statement as to the lack of provision of an annual budget is factually incorrect. CA has provided an annual budget every year, first to the Court Administration, and now to OPHS via the Grant Process of the Indiana State Office of GAL/CASA, Office of Judicial Administration. Both CA and personnel from the State Office of GAL/CASA discussed the provision of the annual budget in their separate meetings with Crowe. Prior to the 2021 Grant year with the Office of GAL/CASA, all grant packet materials were compiled by CA, sent to the Juvenile Judges and then on to the Executive Committee for signatures, and then submitted to the State Office of GAL/CASA. For 2021, CA completed the State Office grant materials and submitted them to the State Office, which then sent the packet to the Judges to sign. Included in the grant materials are the annual budget required in the State Office provided format, the Ethics agreement, and the Memorandum of Understanding for the Court to sign with the State Office. CA provided the materials for the State Office to the Crowe site.

See attached State Office of GAL/CASA MOU.

Performance Observation #2 Defining Expense Categories

Condition: Crowe indicates there is no definition of expense categories.

CA asserts that it is factually incorrect to state that there is not definition of expense categories.

Explanation of expenses and appropriateness thereof is at the heart of the Agreed Upon Procedures that have been provided since 2010. Additionally, each expense category utilized mirrors the sample given to CA by OPHS in February 2020, and subsequently approved by the OPHS as the expense categories were approved prior by the Office of Court Administration.

See Agreed Upon Procedures, Letter of engagement for definition of Agreed Upon Procedures, Description of Expenses, and Department Key.

Performance Observation #3 Record of Payment

Condition: Crowe recommends CA provide evidence of payment in the monthly invoice package.

Record of payment was not addressed in the 2020 Services Agreement. For the largest expense, personnel, the evidence of payment has been provided in each monthly invoice in the form of payroll documentation. Additionally, CA provided documentation as instructed by OPHS.

Performance Observation #4 City Recordkeeping

Condition: Crowe indicates the City did not maintain appropriate recordkeeping.

CA, for its part, submits all documentation requested starting from the Agreed Upon Procedures and other requests from the Court Administration, and, later all requests communicated by the OPHS in a meeting on February 2020. This includes:

- Monthly invoice with actual monthly expenses detail
- Definition of each expense category, including a separate enumeration of (1) expenses directly related to CHINS, (2) expenses directly related to the Additional Services, and (3) "overhead"

(including office space rental and marketing expenses) or other expenses not directly related to the provision of either type of service

- Actual monthly expense totals for each expense category
- A listing and explanation of all individual actual costs that are included in the above totals for each expense category.
- Monthly explanations of expense category increases.

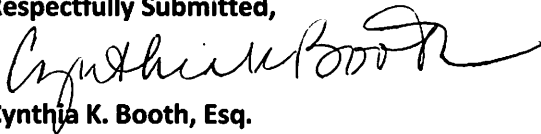
Performance Observation #5 Timely Invoicing

Condition: Crowe acknowledges there is no definition of timeliness for submission of invoices in the Services Agreement.

During a meeting between CA and Crowe on December 16, 2020, CA reviewed the process of invoice creation, support, and submission. CA explained the submission of invoices, which begins with the issuance of CHINS numbers from the Court IT representative. CA has been instructed not to submit the invoice without the official CHINS numbers. CA does not control the timeliness of the IT representative's email. Therefore, if the IT representative is not prompt in providing the CHINS numbers, then the submission of the invoice will not be timely, however one may define timeliness. Secondly, the Services Agreement provides in Section IV, 4.02, that the City will pay CA within thirty days after receipt of claim forms. CA has often waited 30-60 days for payment on invoices, placing a burden on CA and its cash flow as services are provided and personnel and vendors must be paid.

Child Advocates, Inc. welcomes the opportunity to discuss and review the Crowe Assessment of Contractor's Costs Incurred following the review of such by the Office of Public Health and Safety and Court Administration.

Respectfully Submitted,



**Cynthia K. Booth, Esq.
Chief Executive Officer
Child Advocates, Inc.**

Crowe Assessment

Documents and Interviews Provided by Child Advocates, Inc.

Child Advocates provided the following documents as requested by Crowe in the Assessment of the Services Agreement:

1. Organizational Chart
2. Budget
3. Indirect Cost Allocation Policy
4. Invoices and all supporting documents submitted to OPHS for January, July, and then again from January to September 2020 **Multiple Excel files, and 3 Zip files**
5. Department Key for allocating expenses to programs and Expense categories
6. Optima Reports for Custody Program, Attorneys, Juvenile Court GALs **229 Pages**
7. Agreed Upon Procedures, prepared by an independent auditor, along with initial letter of statement of work by the auditor
8. Annual Audits, prepared by an independent auditor, **for 2017, 2018, 2019**
9. Optima Guidance report to explain Optima reports
10. Additional Optima reports for CA Legal Department
11. Indiana State Office of GAL/CASA, Indiana Supreme Court Quarterly and Annual Reports
12. Employee Expenditure Reimbursement Policy
13. Mediations Reports
14. Description of Invoices
15. Employee Activity Reports
16. Procurement and Purchasing Practice and Procedures
17. Full Payroll with Calculation Explanation

Communication Provided:

Zoom meetings with Child Advocates CEO and CFO on November 17, 2020, December 7, 2020, December 15, 2020, December 17, 2020.

Exchange of emails from November 17, 2020 – present.

Interview with Leslie Dunn, Director, Indiana State Office of GAL/CASA, Indiana Supreme Court on December 21, 2020.

Additional Document: 2019 Urban Program Costs Comparison provided to OPHS

Email from Matt Giffin to Felicia Brown approving of the Invoice and its inclusions for 2020 payments

Appendix B: Crowe Comments on Child Advocates, Inc. Responses

We have provided our comments on Child Advocates' responses on the following pages.

Crowe Comments on CA Response to Compliance Observation #1

The scope of this assessment included the requirements listed in the Services Agreement entered into by the City of Indianapolis, by and through its Office of Public Health and Safety (City or OPHS) and Child Advocates, Inc. (CA) for calendar year 2020. The scope did not include the verification of results of audits or attestations engagements prior to 2020. In addition, documentation of discussions between CA and the Courts was not provided during the assessment and thus could not be considered for our purposes. As such, our conclusions in this report were based on the service agreement requirements and documented evidence provided by OPHS or CA. We did not rely on narratives or verbal explanations which had not been supported by documentation.

Related to CA's response that Crowe did not properly consider the results of the agreed-upon procedures (AUP), Custody Program's Conflict GAL (GAL), and Basis of Allocation reports when forming their conclusions, Crowe notes the following:

Crowe received and reviewed CA's most recently issued audited financial statements and attached independent auditor's report on agreed-upon procedures (AUP) for year ended December 31, 2019. Crowe received and reviewed the Optima reports on employee payroll in an attempt to confirm the reasonableness of labor expenses invoiced. Crowe also received and reviewed CA's Custody Program's Conflict GAL reports and other documents which CA referenced in their response. The results of our review of these documents in relation to assessment objectives are summarized below.

AUP Report

The AUP report included the results of specific procedures which were designed by CA and agreed to by the Court of Marion County; however, the independent auditor expressed no opinion on the adequacy of the design of the procedures or on CA's underlying administrative processes. In addition, the AUP report did not prescribe any specific protocols for CA to follow, as referenced in CA's response.

GAL Report and Optima Caseload Data

Using the GAL reports and other data generated from CA's Optima system, Crowe was able to validate the existence of cases, but not the percentage of an employee's time working on cases (i.e., which was needed to support allocated/invoiced amounts). The GALs reports included data on case hearings, including assigned personnel and case numbers; however, the GALs reports did not include information to corroborate the length of time spent on case preparation, time spent at the courthouse, or additional paperwork for the case.

Payroll Reports, Basis of Allocation, and Department Key

We do not disagree that the payroll reports provided detailed information on the cost of salary and benefits for each CA department and employee. However, they did not substantiate the basis for calculating personnel costs incurred providing CHINS services. CA provided the GAL report and other caseload data through the Optima system, but as stated above, the information was not adequate to support the allocation of employee time and effort as a reasonable basis for personnel costs. For example, CA developed a "Department Key" which was an Excel spreadsheet with color-coded cells to categorize personnel by accounting code (e.g. General Admin, Legal, etc.) but the key did not demonstrate how amounts invoiced to the City were incurred supporting CHINS.

In addition, the Crowe team documented its understanding of CA's protocols for calculating labor expenses to invoice to OPHS. We had multiple discussions with CA to confirm our understanding of their processes and requested documentation to support their explanations. In a December 16, 2020 email, Crowe requested a meeting with CA to have a "walkthrough of the formula and how you came to the 90%/10% number – so that we understand it step by step and can recreate it with the data you've sent us." CA replied via email that day, "Since we didn't know we needed a billable hour approach, we don't have one. I think the best we can do is describe what goes into representing a

child to the point of a hearing.” Crowe did not state that a system to record billable hours was required, and did not consider a verbal explanation on the potential types of activities that may occur in representing a child to serve as adequate evidence to support CA’s labor cost calculation.

Crowe submitted a summary of our understanding of CA’s personnel cost calculation methodology. We received confirmation from CA of the reasonable accuracy of our understanding via email on December 18, 2020, but CA requested one change asserting that they had submitted a cost allocation plan. The “Basis of Allocation” was the plan to which CA had referred, but upon our review we deemed it to be insufficient to meet the criteria of a cost allocation plan. See our response to Observation #2 for additional commentary on the Basis for Allocation document.

Crowe Comment on CA Response to Observation #2

Crowe acknowledged in our report that CA’s formula to calculate their indirect cost allocation was **$((G\&A \text{ Personnel Expense} \times 90\%) + \text{Total Indirect Costs}) \times 90\%$** , which would approximately equal the “effective rate of 82%” as CA indicated in their response. However, our observation and recommendation focused on the lack of support for those assigned percentages.

In a meeting on December 7, 2020 CA informed Crowe that an indirect allocation plan was not documented but agreed to document their current practices. CA subsequently provided the Basis for Allocation document as their indirect allocation plan. The Basis of Allocation Summary provided by CA did not include documentation to corroborate management’s assertions that the formula used to calculate the indirect cost allocation was reasonable.

The document references materials that CA either did not provide or which were not relevant to supporting their indirect allocation methodology (e.g., AUP, audits, a review by the State Office of GAL/CASA, or correspondence between CA and new court leadership).

The following is the text of the Basis of Allocation document provided by CA:

“The Child Advocates’ Policy on Allocation is simple:

To qualify expenses for State and County funding, the expenses must be related to the Child in Need of Services cases appointed to Child Advocates. Child Advocates’ expenses are first reviewed by the Indiana State Office of GAL/CASA, Indiana Supreme Court in an agency certification process, the yearly grant application process, and in quarterly and annual reports to the Office.

Additionally, starting in 2010, we provided the county with an Agreed Upon Procedures review of the allocation of expenses. The process built upon this policy:

Expenses are included in county billing only if they are related to the Child In Need of Services cases to which we are appointed. The CHINS expenses include salary and related costs of employees, administrative costs, and other direct and indirect costs. In the first process in 2009, we reviewed all expenses with our auditor to determine reasonableness of inclusion. We then reviewed the AUP with the then contract manager, the Finance Director for the Court Administration. Subsequently, we continued the process using the relationship of the expenses to the CHINS case as our standard. When the Court Finance staff changes, we met and discussed the process. At that time, she required us to provide more detail on our expenses. Additionally, we conducted a yearly review and generated an AUP for every subsequent year and submitted it and our Annual Audit to the Court.”

Crowe Comment on CA Response to Compliance Observation #3:

The Services Agreement Attachment A item 4 requires the following supporting documentation to be included with each monthly invoice; "definition of each expense category, including a separate enumeration of (1) expenses directly related to CHINS Services, (2) expenses directly related to the Additional Services, and (3) "overhead" (including office space rental and marketing expenses) or other expenses not directly related to the provision of either type of service. actual monthly expense totals for each expense category as currently being submitted; a listing and explanation of all individual actual costs that are included in the above totals for each expense category; and monthly explanations of expense category increases."

CA provided monthly invoice cover pages for January through September 2020. These cover pages included three tabs, the invoice tabs, a "Detail -1" tab for brief statements by expense category, and a "Detail-2" tab that includes a listing of vendors with corresponding invoice totals. In their response, it appears that CA referred to the Detail-2 tab of the monthly cover pages as providing separate enumerated expenses by expense category. The tab solely includes a listing of vendors with total dollars per vendor listed under each expense category. No further detail is included in the document.

Crowe's recommendation was for CA to adhere to the requirements in the Services Agreement by providing the required detail for expenses incurred supporting the CHINS program, and including a separate enumeration of expenses for those incurred providing "Additional Services".

Crowe Comment on CA Response to Performance Observation #1

Crowe's observation addressed the requirement in Section IV. Compensation of the Services Agreement, which states, "Notwithstanding any other provision in this Agreement or Attachment A, Contractor's total compensation shall not exceed the greater of the following: (a) five million, four hundred thousand dollars (\$5,400,000.00); or (b) \$4.00 multiplied by the total number of CHINS service days provided by Contractor during the Term. City will make reasonable efforts to secure additional funds for the CHINS Services if the required reasonable cost for such services during the term exceeds the budgeted amount for the term."

Crowe's recommendation focused on reducing the likelihood that CA will exceed the maximum compensation limit by basing it upon planned expenditures. While we did not examine CA's budget assumptions within the scope of our assessment, we would expect planned operating expenses for CHINS to be based on historical trends or another reliable source of information. This amount may also be useful to setting compensation limits in the Services Agreement.

Crowe Comment on CA Response to Performance Observation #2:

There are no agreed-upon expense category definitions in the Services Agreement between the City and CA. Section 4.a. of the Service Agreement requires that the contractor provide expense category definitions. The purpose of this recommendation is that these definitions be articulated in the Services Agreement. Both parties to the Agreement should have an agreed-upon, single-source for category definitions, and the best place to accomplish that may be in the Services Agreement.

"Contractor will additionally submit the following with each monthly invoice as support for all costs being invoiced, including for CHINS Services, Additional Services, and any other expenses: a definition of each expense category, including a separate enumeration of (1) expenses directly related to CHINS Services, (2) expenses directly related to the Additional Services, and (3) "overhead" (including office space rental and marketing expenses) or other expenses not directly related to the provision of either type of service."

Crowe Comment on CA Response to Performance Observation #3:

We agree the Services Agreement is silent on this issue. We categorized this observation and recommendation as "Performance" issue since it is based on control best practices and was not a compliance issue. During the assessment, CA did not inform Crowe or provide documentation of the instructions from OPHS referenced in their response.

Crowe Comment on CA Response to Performance Observation #6 (Previously Compliance Observation #4).

The purpose of our observation and recommendation was to indicate that CA had not documented the business purpose for expenses in their monthly invoice package. Since it is possible that the expenses may have been incurred for purposes outside of supporting the CHINS program, a written explanation of the business purpose would be helpful. Since the Agreement does not explicitly require how and where the business purpose should be documented on the monthly invoice submission, we have agreed to change this from a Compliance to a Performance issue.

Note: Crowe had no comments on the following CA Responses:

- **Performance Observation #4. City Recordkeeping**
- **Performance Observation #5. Timely Invoicing**