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Auditor of State David A. Vaudt today released a report on the Juvenile Detention Home Fund (Juvenile Fund) administered by the Department of Human Services (DHS) for the period July 1, 2007 through November 10, 2009. The Juvenile Fund provides State aid to Juvenile Detention Centers (Centers) for reimbursement of operation expenses. During the review period, 10 licensed Centers received Juvenile Funds from DHS. Fees collected by the Department of Transportation (DOT) for reinstatement of suspended or revoked driver's licenses related to certain offenses are deposited to the Juvenile Fund. DHS distributed \$3,793,181.00 to Centers in fiscal year 2009 and distributed a total of \$24,607,798.00 for fiscal years 2003 through 2009.

The *Code of Iowa* requires DHS to reimburse Centers for at least ten percent, but not more than fifty percent, of total costs related to "establishment, improvements, operation and maintenance" of the juvenile detention homes. In order to receive funding from DHS, Centers must be in compliance with minimum rules and standards of operation and must submit total costs associated with juvenile detention home "establishment, improvements, operation and maintenance" to DHS. DHS allocates the funds to the Centers based on their prorated portion of total submitted costs.

Vaudt reported the current funding process results in an inequitable distribution of funds if actual services are considered, not just expenditures. The *Code of Iowa* currently rewards Centers for incurring the most expense without regard for the actual volume of services rendered. In addition, reimbursements are based on total expenditures rather than net expenditures, allowing Centers to submit costs for Juvenile Fund reimbursement which are already funded by other sources. For example, in fiscal year 2008, a Center provided 19.22% of total juvenile detention services in the State based on bed days, which is the number of days juveniles receive services at a Center. However, the Center's expenses were disproportionately higher than other Centers. As a result, the Center received 28.05% of the total Juvenile Fund reimbursements. Conversely, the same year another Center provided 14.45% of total juvenile detention services based on bed days. However, because the Center's costs per bed day were lower than other Centers' costs, it only received 7.37% of total Juvenile Fund reimbursements.

Vaudt reported the current *Code of Iowa* requirements to base Juvenile Fund reimbursement on costs rather than services provided and DHS' lack of guidance and oversight of reimbursements resulted in significant problems with costs the Centers submitted. Vaudt reported DHS did not have controls in place prior to the review to ensure the costs submitted were appropriate. According to DHS officials, DHS is limited to the specific language of the *Code of Iowa* and could not deny payments to Centers based on costs submitted. While auditors were performing the review, DHS officials issued a memorandum to provide Centers with guidance regarding allowable costs as a result of requests for guidance from the Centers.

However, even after DHS implemented additional review procedures and required supporting documentation for costs, Vaudt reported a limited review by auditors of costs submitted by the Centers identified unallowable costs approved by DHS and examples of inequitable distributions which DHS did not address or deny. For example, a Center claimed costs which other Centers removed from their claims based on feedback from DHS. The costs were not denied by DHS. Another Center claimed both actual construction costs and debt service to fund construction costs, resulting in double reimbursement for the same costs. DHS followed up with the Center but did not take sufficient steps to ensure the costs were appropriate.

Vaudt recommended DHS work with members of the General Assembly to reevaluate the entire juvenile reimbursement structure to ensure reimbursements are equitable and are consistent with current program goals. In addition, Vaudt recommended consideration of a bed days reimbursement structure which could provide more equitable distributions to Centers based on services provided. Implementation of reimbursements based on bed days would require DHS to monitor and verify bed days reports for accuracy on a routine basis. Vaudt also identified topics of consideration DHS should address with the members of the General Assembly.

In addition, during the interim or in case DHS chooses not to restructure the current reimbursement structure, Vaudt recommended changes to the cost-based allocation system currently in place. Those recommendations included:

- Verification all costs submitted represent allowable program costs and are supported by appropriate cost reports,
- Evaluation of capital improvement costs to address (1) whether capital improvements should continue to be funded by the Juvenile Fund, (2) how to reduce the impact of capital improvements on each Center's allocation from the Juvenile Fund, (3) how to ensure capital improvement costs are consistently reported in order to avoid duplicate payments and (4) how to ensure capital improvements are necessary and meet a specific need within the parameters of services approved for the Juvenile Fund, and

- Elimination of Centers' current ability to request reimbursement for costs already reimbursed by other funding sources.

The report also identified inaccurate and questionable cost submissions from Centers which resulted in improper allocation of funds to the Centers. In addition to the Center which received allocations for construction costs and the debt service to finance the construction costs, cost submissions were identified which were so much higher than other Centers' submissions they did not appear reasonable. In addition, 1 Center significantly reduced its submitted costs in response to inquiries from DHS officials. However, other Centers with similar operating structures were not required to make the same types of reductions. DHS did not evaluate the Center's cost submission for consistency with the other Centers and the Center was adversely impacted while all other Centers chose not to make similar reductions to their claims.

A copy of the report is available for review in the Office of Auditor of State and on Auditor of State's web site at <http://auditor.iowa.gov/specials/index.html>.

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**JUVENILE DETENTION HOME FUND
ADMINISTERED BY
THE DEPARTMENT OF HUMAN SERVICES

FOR THE PERIOD
JULY 1, 2007 THROUGH NOVEMBER 10, 2009**

Table of Contents

	<u>Page</u>
Auditor of State's Report	3-4
Background	5-8
Detailed Findings	8-29
Findings and Recommendations	
Finding A - Allocation based on total cost	29-30
Finding B - Matching funding to program goals	30
Finding C - Inaccurate costs submitted	30-31
Finding D - Construction cost reporting	31
Finding E - Reimbursed for costs not associated with Juvenile Fund	31-32
Finding F - Reimbursement for other State-funded services	32
Finding G - DHS Monitoring of costs	32
Finding H - Unsupported costs submitted	33
Finding I - Analytical evaluation of fiscal year 2009 costs	33-34
Finding J - DIA license renewals	34
Staff	35
Appendices:	<u>Appendix</u>
DHS Juvenile Home Detention Fund Distribution Summary	A 38
Operating Requirements Established by Iowa Administrative Code Section 441-105	B 39
DHS Memorandum to Juvenile Detention Centers	C 40-42
Copy of Example General Accounting Expenditure (GAX) form	D 43
Criminal and Juvenile Justice Planning Calculation of Total Bed Days per Center	E 44



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Auditor of State's Report

To the Governor, Members of the General Assembly and
the Director of the Department of Human Services:

In conjunction with our audit of the financial statements of the State of Iowa and in accordance with Chapter 11 of the *Code of Iowa*, we have conducted a review of the Juvenile Detention Home Fund (Juvenile Fund) administered by the Department of Human Services (DHS). Our review included an assessment of the controls over the Juvenile Fund, including the application, monitoring and cost reporting procedures. We also evaluated the effectiveness of the current reimbursement process mandated by the *Code* and researched alternative reimbursement processes.

We have applied certain tests and procedures to selected processes and financial information for the period July 1, 2007 through November 10, 2009. Based on a review of relevant information, the *Code* and administrative rules governing the Juvenile Fund, we performed the following procedures:

- (1) Reviewed controls over the application, monitoring and distribution processes performed by DHS for the Juvenile Fund.
- (2) Interviewed DHS staff to obtain an understanding of current procedures and general program operations and to obtain DHS' interpretation of reimbursement requirements established by the *Code*.
- (3) Interviewed staff from certain Juvenile Detention Centers (Centers) to obtain an understanding of individual cost reporting practices and general Juvenile Fund reimbursement procedures and to obtain feedback on operating weaknesses and input for improvements in Juvenile Fund management.
- (4) Collected and analyzed supporting documentation for costs submitted by each Center and evaluated those costs for compliance with cost descriptions found in the *Code* and DHS' definition of allowable costs.
- (5) Analyzed and compared the financial reports and costs submitted by the 10 licensed Centers to determine whether submitted costs were consistent from Center to Center, supported by audited financial statements and reflected the level of detention services each Center provided.
- (6) Reviewed and compared the Department of Human Rights' Criminal and Juvenile Justice Planning (CJJP) statistical reports regarding Center bed days to the bed days reported by the Centers. We also interviewed a CJJP representative to obtain an understanding of the procedures performed to collect and report Center bed days totals.
- (7) Collected and analyzed annual licensing reports from the Department of Inspections and Appeals (DIA) to verify consistent and complete license approval procedures and to identify Center deficiencies reported by DIA.

- (8) Obtained and reviewed board meeting minutes from the Centers to determine compliance with the requirements established by the *Code* for 28E organizations and County Boards of Supervisors.
- (9) Scanned costs submitted by the Centers for final reimbursement in fiscal year 2009 to identify any unusual activity and compare the information to costs previously submitted.

Based on these procedures, we determined current reimbursement procedures as mandated by the *Code* and managed by DHS are not effective in equitably distributing Juvenile Funds. DHS did not perform adequate oversight to ensure costs submitted by Centers were allowable.

We have also developed certain recommendations and other relevant information which should be considered by the Department of Human Services, the Juvenile Detention Centers and the General Assembly.

We extend our appreciation to the personnel of the Department of Human Services, the Department of Inspections and Appeals, the Department of Human Rights (Criminal and Juvenile Justice Planning) and the Juvenile Detention Centers for the courtesy, cooperation and assistance provided to us during our review.



DAVID A. VAUDT, CPA
Auditor of State



WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

December 15, 2009

A Review of the Juvenile Detention Home Fund

BACKGROUND

The Juvenile Detention Home Fund (Juvenile Fund) is administered by the Department of Human Services (DHS) and provides funding to the 11 licensed Juvenile Detention Centers (Centers) in Iowa. During fiscal year 2010, a new Center was established in Clarke County. Prior to that, only 10 Centers existed. DHS receives funds annually from the Department of Transportation (DOT) as mandated by section 321.218A of the *Code of Iowa (Code)*. In accordance with the *Code*, when DOT suspends, revokes or bars a person's driver's license or nonresident operating privilege for certain violations, the civil penalty fees collected by DOT are designated for the Juvenile Fund. Prior to the 2009 distribution, a portion of the funds DOT collected were used to fund other non-Juvenile Fund purposes. However, according to a DHS official we spoke with, the Centers lobbied for more of the funds and the Legislature agreed to allow Centers to receive all of the funds DOT collected, effective beginning with the allocation for fiscal year 2009.

Table 1 summarizes the total Juvenile Fund payments to Centers for fiscal years 2003 through 2009. The payments were allocated between the Centers based on costs the Centers submitted for fiscal years 2002 through 2008. **Appendix A** includes DHS' summary of costs and disbursements by Center.

Table 1

Fiscal Year	Amount
2003	\$ 2,958,925.00
2004	3,428,768.00
2005	3,702,377.00
2006	3,599,784.00
2007	3,360,722.00
2008	3,764,041.00
2009	3,793,181.00
Total	<u>\$24,607,798.00</u>

Section 232.142 of the *Code* mandates Centers meeting the operating requirements of the State receive funding from the State in a manner approved by the Director of DHS. The operating requirements are outlined in section 441-105 of the Iowa Administrative Code (IAC). Operating requirements include specific criteria based on subject areas listed in **Appendix B**.

DHS utilizes the services of the Department of Inspections and Appeals (DIA) to annually inspect each Center for compliance with operating standards. Inspections conducted by DIA include interviews with staff and detained juveniles, inspection of required records, personnel and staffing files and inspection of the buildings and grounds. At the conclusion of each inspection, DIA recommends one of the following to DHS:

- issuance of a license,
- issuance of a provisional license or
- denial of a license.

If a 1-year license is issued to the Center, the Center is determined to be eligible to receive funding from the Juvenile Fund. All 10 Centers received licenses for the period of our review. Each Center provides detention services for juveniles. Of the 10 Centers, 5 Centers operate as 28E organizations and 5 Centers operate as part of their county. Most of the Centers provide detention services to clients in multiple counties. In addition, 9 of the 10 Centers have facilities

A Review of the Juvenile Detention Home Fund

specific to juvenile detention and 1 Center is operated as part of a county jail. **Table 2** summarizes the capacity of the Centers and the facility type.

Table 2

Juvenile Center	Number of Beds	Facility Type
Central Iowa Juvenile Detention Center	24	28E
Dubuque Detention Facility	6	County
North Iowa Juvenile Detention	31	28E
Northwest Iowa Youth Emergency Services	15	28E
Polk County Youth Services	66	County
Scott County Juvenile Detention Center	18	County
South Iowa Area Detention Services *	42	28E
Southwest Iowa Juvenile Detention Center	25	28E
Woodbury County Juvenile Center	21	County
Youth Services of Linn County	35	County

* - South Iowa Area Detention Center (South Iowa) had 2 facilities, 1 in Lee County and 1 in Lucas County. Each had a 21-bed capacity. In December 2008, the Lucas County facility was closed. South Iowa capacity is currently 21 beds.

In accordance with the *Code*, the funding provided by the State is to be “at least ten percent and not more than fifty percent of each Center’s total costs for “establishment, improvements, operation and maintenance of the home”. The funding provided by the State should be used to supplement these costs. DHS allocates the funds to each Center based on the Center’s prorated share of total costs submitted by all Centers. Therefore, Centers submitting the highest costs to DHS receive the most funding. The Centers submit costs they determine eligible for reimbursement through the Juvenile Fund to DHS.

Allocation of funds to the Centers from the Juvenile Fund each year is based on costs incurred by the Centers in the prior fiscal year. According to section 441-167 of the IAC, Centers must submit their certification of costs by August 10th each year and DHS will distribute the funds by August 31st. For example, amounts distributed to the Centers for fiscal year 2009 were based on costs incurred by the Centers during fiscal year 2008. **Table 3** summarizes the allocation process for the Juvenile Fund for fiscal year 2009.

Table 3

During Fiscal Year 2008	During Fiscal Year 2009
Centers incur costs to be later reported to DHS for reimbursement in fiscal year 2009.	Centers submit fiscal year 2008 costs to DHS by August 10, 2009 for allocation of funds collected during fiscal year 2009. DOT collects license reinstatement fees for distribution by August 31, 2009.

As previously stated, **Appendix A** is DHS’ summary of distributions to the 10 Centers from fiscal years 2003 to 2009. The **Appendix** also lists the costs submitted by the Centers for reimbursement for fiscal years 2002 through 2008. **Table 4** summarizes the final costs submitted by each Center and the amount received for fiscal years 2008 and 2009.

A Review of the Juvenile Detention Home Fund

Table 4

Center	Fiscal Year 2009		Fiscal year 2008	
	Fiscal Year 2008 Costs	Allocation	Fiscal Year 2007 Costs	Allocation
Central Iowa Juvenile Detention Center [^]	\$ 7,150,871.00	1,256,741.00	2,366,137.34	504,764.16
Dubuque Detention Facility	386,096.00	67,855.00	387,783.19	82,725.15
North Iowa Juvenile Detention	1,240,897.00	218,083.00	1,299,670.00	277,256.45
Northwest Iowa Youth Emergency Services	603,526.00	106,068.00	734,994.00	156,795.05
Polk County Youth Services	4,139,917.00	727,576.00	4,948,931.00	1,055,747.26
Scott County Juvenile Detention Center	820,120.00	144,133.00	827,579.00	176,546.06
South Iowa Area Detention Services	1,902,983.00	334,443.00	1,801,495.50	384,310.05
Southwest Iowa Juvenile Detention Center	1,092,637.00	192,027.00	1,033,185.00	220,407.65
Woodbury County Juvenile Center	1,394,770.00	245,126.00	1,389,466.00	296,412.48
Youth Services of Linn County	2,851,428.00	501,129.00	2,855,113.81	609,076.70
Total	\$ 21,583,245.00	3,793,181.00	17,644,354.84	3,764,041.01

[^] - Capital improvements at this Center are a primary reason for the increase in total costs claimed in fiscal year 2009.

The costs submitted to DHS in fiscal year 2009 listed in the **Table** are the final cost submissions after adjustments were made by the Centers on 2 occasions discussed in the following paragraphs. When we began our review, the Centers had submitted cost estimates to DHS of \$23,227,583.00. However, as discussed in detail later in this report, the cost submissions were reduced over \$1.6 million after DHS officials provided additional guidance and restrictions on the types of costs the Centers were to submit.

As we began contacting DHS and Center officials regarding our review, Center officials shared their concerns regarding the Juvenile Fund. We also received comments from DHS officials. The concerns included:

- Multicounty 28E Centers may not be in compliance with requirements to publish board meeting minutes,
- Centers are reimbursed on a percentage of total costs in accordance with section 232.142 of the *Code*, which may result in certain Centers receiving reimbursements from multiple sources for the same costs.
- Centers may be including ineligible costs in their cost submissions to DHS, which may have resulted in inequitable distribution of the Juvenile Fund,
- DHS does not require support for submitted costs, which may have resulted in Centers receiving reimbursements based, in part, on ineligible costs, and
- The *Code* does not provide clear definitions of “establishment, improvements, operation and maintenance of the home,” which has led to disagreement among the Centers in regard to the intent of the funds.

As part of our review, we performed the procedures detailed in the Auditor of State’s report for the period July 1, 2007 through November 10, 2009. The procedures performed also included evaluation of the concerns identified by Center and DHS officials. During testing of annual cost submissions, we visited the 4 Centers which submitted the highest costs to DHS. In addition, we requested supporting documentation from the remaining 6 Centers. As discussed later in this report, DHS did not require Centers to submit supporting documentation with their cost submissions. Of the 10 Centers receiving Juvenile Fund allocations, 8 provided cost records for review but 2 of the Centers did not. We evaluated the costs submitted to determine if they

A Review of the Juvenile Detention Home Fund

appeared to be consistent with the *Code* and the guidance DHS officials later included in the July 2009 memorandum. We were unable to evaluate costs at 2 of the Centers because they did not provide the cost reports as requested. The 2 Centers, Dubuque Detention Facility (Dubuque) and Southwest Iowa Juvenile Detention Center (SWI), are 2 of the smaller facilities based on the allocations of the Juvenile Fund they receive. Any cost records related findings are included in this report.

As previously stated, at the time we began our fieldwork, the Centers had submitted estimated costs of \$23,227,583.00 to DHS for reimbursement in fiscal year 2009. However, those costs were subsequently reduced by over \$1.6 million after DHS officials provided additional guidance and restrictions on the types of costs the Centers were to submit. The additional information provided by DHS was, in part, a result of preliminary findings we identified as a result of our fieldwork and discussions with DHS officials.

In March 2009, we spoke with a DHS official regarding concerns we identified during our initial fieldwork. During the meeting, the DHS official we spoke with stated he had recently met with the Juvenile Detention Association (Association) as a result of a request from the Association to provide clarification on allowable costs. He also stated he told the Association establishment, improvements, operation and maintenance of the juvenile homes were the only costs eligible for reimbursement from the Juvenile Fund. In addition, he stated DHS planned to develop guidelines for the Centers as a result of their request for clarification and the vague nature of the *Code*. After meeting with the DHS official, we continued our fieldwork. We visited 4 Centers and periodically updated DHS officials regarding our findings and concerns.

In July 2009, DHS published a memorandum clarifying DHS' position on Juvenile Fund reimbursement requirements. A copy of the memorandum is included in **Appendix C**. As illustrated by the **Appendix**, the memorandum clarified DHS' interpretation of costs eligible for submission to DHS for Juvenile Fund allocation. It limited eligible costs to those directly related to detaining children. It also specified all other operational costs which do not directly relate to detained children are not permissible for reimbursement. Prior to issuance of the memorandum in July 2009, Centers submitted costs to DHS for fiscal year 2009 reimbursement based on their interpretation of allowable costs. As a result of the memorandum, the Centers revised the costs submitted for reimbursement. The revised costs to be reimbursed in fiscal year 2009 were cumulatively \$994,032.00 less than the amounts previously submitted.

In addition, in August 2009 after DHS distributed fiscal year 2009 allocations to the Centers, we met with DHS officials again and discussed specific findings we identified during our visits to the Centers. As a result of the meeting, DHS requested additional information from selected Centers, which resulted in costs submitted to DHS for reimbursement during fiscal year 2009 being further reduced by \$650,307.00. DHS redistributed fiscal year 2009 allocations as adjusted in accordance with cost submission reductions.

DHS officials we spoke with stated they reviewed the revised cost submissions and followed up with Centers when they identified costs they were unfamiliar with. We also performed a brief review of the final costs submitted by the Centers. As a result of that review, we identified additional concerns which are discussed in detail in the Findings and Recommendations section of this report.

DETAILED FINDINGS

The procedures we performed identified control weaknesses over Center cost submission procedures which resulted in inequitable distribution of juvenile funds based on unsupported or ineligible costs submitted by certain Centers. Ineligible or unsupported cost submissions went undetected by DHS due to inadequate reporting requirements, vague and misinterpreted *Code* requirements and DHS' reliance on Centers to limit costs submissions to accurate, eligible costs. These procedures also identified lack of authoritative direction by DHS regarding application of the *Code*, resulting in Centers receiving reimbursements from multiple funding sources for the same costs.

A Review of the Juvenile Detention Home Fund

Because of certain concerns identified by Centers and our review of Juvenile Fund reimbursement controls, we also reviewed selected Board meeting minutes and publication support to determine compliance with Board meeting content and publication requirements.

Allocation Basis

Total Cost Basis - As previously discussed, allocation of the Juvenile Fund is prorated according to the total costs each Center submits to DHS. Prior to July 2009, when DHS published a memorandum to Centers clarifying specific requirements and adding documentation requirements to annual cost submissions, DHS did not require supporting documentation for costs submitted.

Although DHS stated some Centers included supporting documentation when reporting their costs, DHS did not specifically require supporting records. DHS required Centers to submit a General Accounting Expenditure form, known as a GAX, which included the total eligible costs and the Center's signature certifying:

"I certify that the items for which payment is claimed were furnished for state business under the authority of the law and that the charges are reasonable, proper, and correct, and no part of this claim has been paid."

Appendix D includes an example of a GAX form submitted to DHS in fiscal year 2009. Upon receipt of all the GAX forms, DHS inputs the submitted costs on a summary spreadsheet used to prorate total Juvenile Funds to the Centers based on the total costs they report. DHS' summary spreadsheet is included in **Appendix A**.

In DHS' July 2009 memorandum, however, DHS increased documentation requirements to include:

- a completed GAX form showing the total eligible costs incurred in the fiscal year prior to when the GAX is submitted,
- a ledger expense sheet(s) providing line item detail supporting the total costs claimed on the GAX form. The ledger expense sheet should identify costs paid by other funding sources with information to identify the other funding source, and
- a copy of the Center's corresponding financial statement audit report.

As a result of the July 2009 memorandum, Centers submitted the required reports in order to be eligible for the 2009 allocation from the Juvenile Fund. As previously discussed, DHS' additional reporting requirements led to Centers as a whole reducing their submitted costs by nearly \$1 million.

Service Basis - Currently, the Juvenile Fund is allocated to Centers based on the Centers' prorated portion of total eligible costs incurred, which is not directly related to the amount of services provided. The level of services provided to juveniles can be tracked using bed days, which is the cumulative number of days per juvenile per facility when a juvenile is detained. Currently, the number of bed days each Center provides does not directly affect its Juvenile Fund allocation.

The number of bed days each Center provides is tracked and maintained by Criminal and Juvenile Justice Planning (CJJP), a Division of the Department of Human Rights (DHR), to determine the State's compliance with certain federal requirements. In accordance with Section 216A.136 of the *Code*, CJJP is to maintain Iowa's statistical data and analytical information, including the number of juveniles served for federal, state and local governments. CJJP collects statistical information regarding the number of juveniles served by each Center in bed day units. CJJP uses the following formula to determine the number of bed days each Center provided per child on a fiscal year basis:

(Date of check-out – Date of check-in) + 1 day = Total bed days for a juvenile

A Review of the Juvenile Detention Home Fund

CJJP calculates bed days per juvenile to determine total bed days per Center. The calculation is based on documentation provided by the Centers. The CJJP official we spoke with stated he conducts site visits to the Centers on a 3-year rotating basis, visiting a minimum of one-third of the Centers each year to physically compare a selection of Center records to submitted bed days data. In addition, he stated CJJP is currently working to institute a secure on-line application which will further improve the consistency of reporting across the state.

When we compared allocations based on submitted costs to the level of services each Center provided, we determined the allocations based on costs reported by the Centers are significantly different from what the allocations would be if they were based on the number of bed days provided. **Appendix E** summarizes the bed days calculated by CJJP from fiscal year 2004 through fiscal year 2008. For the purposes of our analysis, we relied on CJJP's calculation of bed days since it was collected by an independent party. However, we did not independently verify the accuracy of the data collected.

Table 5 summarizes the percentage of total allocations to the 10 Centers in fiscal years 2008 and 2009 compared to each Center's percentage of total bed days as calculated by CJJP.

Center	Fiscal Year 2009		Fiscal Year 2008	
	Bed Days	Allocation	Bed Days	Allocation
Central Iowa Juvenile Detention Center*	9.27%	33.13%	8.04%	13.41%
Dubuque Detention Facility	3.23%	1.79%	1.87%	2.20%
North Iowa Juvenile Detention	12.06%	5.75%	14.45%	7.37%
Northwest Iowa Youth Emergency Services	5.00%	2.80%	5.78%	4.17%
Polk County Youth Services	16.40%	19.18%	19.22%	28.05%
Scott County Juvenile Detention Center	7.49%	3.80%	6.78%	4.69%
South Iowa Area Detention Services	12.99%	8.82%	13.78%	10.21%
Southwest Iowa Juvenile Detention Center	7.93%	5.06%	6.92%	5.86%
Woodbury County Juvenile Center	10.89%	6.46%	9.37%	7.87%
Youth Services of Linn County	14.75%	13.21%	13.81%	16.18%
Total	100%	100%	100%	100%

* - The large variance is due, in part, to major capital improvements. Larger distributions due to one-time capital improvements are permissible and are not considered improper.

As illustrated by the **Table**, the amount of Juvenile Funds allocated to most of the Centers is not comparable to the Center's percentage of bed days. For example, North Iowa Juvenile Center (North Iowa) provided 14.45% of the total bed days in fiscal year 2008 but only received 7.37% of the total Juvenile Fund allocations while Central Iowa Juvenile Detention Center (CIJDC) provided 8.04% of the total bed days and received 13.41% of the total Juvenile Fund allocations. This imbalance occurred because Juvenile Funds are allocated based on costs in accordance with the *Code* rather than the level of service provided by the Centers.

Impact of Current Structure - As discussed previously, allocations based on cost submissions do not reflect the number of juveniles served by each Center. Capital improvements, which are permissible under the *Code*, are a reason allocations could be disproportionate. During our fieldwork, we identified concerns regarding the inclusion of capital improvements in the allowable costs for the Juvenile Fund, including the major impact capital improvements at 1 Center had on the allocations to the other Centers. These concerns are discussed in detail in a subsequent section of this report.

A Review of the Juvenile Detention Home Fund

In addition to the impact on allocations of capital improvements at 1 Center, other Centers received disproportionately high or disproportionately low allocations compared to what allocations would have been using bed days.

Table 6 shows the Juvenile Fund allocation in fiscal years 2008 and 2009 received by each Center per bed day provided in the 2-year period. By dividing claimed costs by the number of bed days provided, we determined costs reported by Centers in fiscal years 2008 and 2009 varied from \$155.30 to \$508.08 per bed day and from \$200.66 to \$1,504.50 per bed day, respectively. As a result, the Centers received Juvenile Fund allocations in fiscal year 2008 ranging from \$33.13 per bed day to \$108.39 per bed day and from \$35.27 to \$264.41 per bed day in fiscal year 2009.

Table 6

Center	Fiscal Year 2009			Fiscal Year 2008		
	Bed Days	Cost/ Bed Day	Allocation Bed Day	Bed Days	Cost/ Bed Day	Allocation Bed Day
Central Iowa Juvenile Detention Center: [^]	4,753			4,657		
- with construction-related costs		\$1,504.50	264.41		\$ 508.08	108.39
- without construction-related costs		272.32	65.68		386.73	83.08
Dubuque Detention Facility	1,655	233.29	41.00	1,082	358.39	76.46
North Iowa Juvenile Detention	6,184	200.66	35.27	8,369	155.30	33.13
Northwest Iowa Youth Emergency Services	2,564	235.38	41.37	3,347	219.60	46.85
Polk County Youth Services	8,413	492.09	86.48	11,132	444.57	94.84
Scott County Juvenile Detention Center	3,843	213.41	37.51	3,925	210.85	44.98
South Iowa Area Detention Services	6,660	285.73	50.22	7,985	225.61	48.13
Southwest Iowa Juvenile Detention Center	4,066	268.73	47.23	4,007	257.85	55.01
Woodbury County Juvenile Center	5,586	249.69	43.88	5,430	255.89	54.59
Youth Services of Linn County	7,564	376.97	66.25	7,999	356.93	76.14
Total	51,288			57,933		

[^] - The cost per bed day and allocation per bed day for CIJDC were calculated using total costs claimed and costs claimed net of construction-related costs. This demonstrates how construction effected the allocations and how operational costs at CIJDC compared to those at other Centers.

As shown in the **Table**, Centers currently are not receiving comparable allocations per bed day. Based on the information provided by the Centers, detaining juveniles at Polk County cost \$492.09 per bed day in fiscal year 2009, while the cost at North Iowa was only \$200.66 per bed day in fiscal year 2009. Polk County received \$51.21 more per juvenile per bed day than North Iowa from the Juvenile Fund. In addition, as demonstrated by the **Table**, costs submitted per bed day varied significantly from Center to Center.

Some Centers we spoke with suggested employment expenses, fixed costs and differences in the quality of services impacted the costs Centers submitted. A number of factors, such as the level of staffing used by a Center, construction and discretionary spending, impact the total costs submitted by each Center and, as a result, DHS' allocation to each Center. These types of costs are discussed in a later section of this report.

Lack of Cost Control

The current system to allocate Juvenile Funds is based on reimbursing costs incurred regardless of the level of services provided. Therefore, if a Center works to reduce costs and run more efficiently, it will receive a smaller allocation from the Juvenile Fund. For example, North Iowa was the second largest provider based on total bed days in fiscal year 2008, providing 14.45% of the total bed days for the State. However, North Iowa only received 7.37% of the total Juvenile

A Review of the Juvenile Detention Home Fund

Fund allocation for that year. North Iowa's proportion of total costs submitted to DHS was lower than its proportion of services provided to juveniles in the State. As a result, North Iowa received \$75.26 less per bed day than CIJDC in fiscal year 2008 for providing juvenile detention services.

During our fieldwork, we also determined certain Centers choose to staff their Centers with more staff than the minimum requirements of the IAC. According to Chapter 105 of the IAC, Centers must have a minimum of 1 staff person per every 5 juveniles during prime programming time and 1 staff person in each living unit during night hours. However, we identified 2 Centers, Youth Services of Linn County (Linn County) and Polk County Youth Services (Polk County), which chose to staff to accommodate more juveniles than they actually served.

- Linn County staffs its facility for 28 beds. However, the average number of beds utilized per day in fiscal years 2007 and 2008 (reported in fiscal years 2008 and 2009) were 22 and 21, respectively.
- Polk County staffs its facility for 33 beds. However, Polk County only averaged 30 beds per day in fiscal year 2007 (reported in fiscal year 2008) and 23 beds per day in fiscal year 2008 (reported in fiscal year 2009). As a result of the required 5 to 1 staff to child ratio, an additional staff person is required to be present when more than 30 children are in the facility.

Because of the current allocation system, Centers choosing to staff in excess of minimum requirements receive a larger allocation from the Juvenile Fund than Centers which staff at minimum requirements.

Alternative Approach - As part of our review of the reimbursement structure of the Juvenile Fund, we researched other state aid programs for alternative reimbursement structures which would provide for an equitable fund distribution. We determined programs which use bed days to gauge the amount of services provided were an appropriate alternative approach to the Juvenile Fund's total cost allocation basis. Bed days are the number of days a client receives services. Tracking bed days provides a method to determine the amount of services provided.

Some of the benefits of allocating Juvenile Funds based on the number of bed days provided versus the total costs incurred include:

- Comparable reimbursements per bed day, regardless of operating costs.
- Centers have more incentive to use cost effective business practices to reduce costs.
- Evaluation and submission of costs at each Center is not necessary since distributions are based on total bed days.
- Because CJJP already tracks bed days as part of its reporting responsibilities, bed days are already tracked by an independent party and DHS would not have to separately collect the information.
- Centers may be able to estimate the expected number of bed days for the year based on past years and other Centers' total costs would not affect the reimbursement.

In utilizing an alternate approach to Juvenile Fund allocation as described, DHS would still be subject to Code requirements which require the reimbursement to be "at least ten percent and not more than fifty percent" of the Center's total eligible costs.

As with any reimbursement program administered by the State, DHS would need to be aware of potential weaknesses and develop controls to address them, such as:

- Bed days accuracy - Currently, Centers are responsible for reporting their bed days to CJJP. Although CJJP stated it is currently working on an online system which will improve reporting accuracy, there is a risk to the integrity of the program if Centers do not accurately report bed days. If DHS based Juvenile Fund allocations on bed days, it would need to develop controls to ensure the bed days reported are accurate, such as

A Review of the Juvenile Detention Home Fund

conducting periodic verifications of bed days reported to associated juvenile files or adding evaluation procedures to the responsibilities of DIA as part of DIA's testing when it goes to Centers to approve licensure. See **Finding A** for our recommendations regarding this risk.

- Accuracy of costs – Centers may inflate their costs or inadequately control their costs to ensure they receive the maximum reimbursement amount available. DHS should be aware of the potential risk in this area and consider periodic cost evaluations, if necessary. DHS could mitigate these risks by requiring Centers to provide standardized cost reports certified annually in conjunction with the Centers' annual audits or requiring Centers to include a cost schedule in their audited financial statements which would detail costs eligible for Juvenile Fund reimbursement
- Service standards – As is currently established, DHS would need to continue to ensure the minimum requirements for juvenile detention services were met prior to disbursing Juvenile Funds.

According to DHS officials, updates to existing *Code* requirements may be necessary to be consistent with current program initiatives, which will be discussed in detail later in this report. As previously stated, DHS will need to carefully evaluate alternative approaches to reimbursement to ensure adequate controls are developed and administered to avoid program abuse and to ensure resulting allocations are as intended. Such controls could include IAC rules detailing program requirements and periodic or annual evaluations of Center operations.

Regardless of whether DHS incorporates operating procedures to utilize bed days as the allocation basis or updates the reimbursement structure to coincide with current program initiatives discussed later in this report, DHS and the General Assembly should consider developing a more equitable reimbursement process, including control procedures for distribution of funds and review.

We have included recommendations to DHS later in this report to improve the current reimbursement structure to provide a more equitable distribution of funds. See **Finding A**.

Allowable Costs

Prior to July 2009, DHS had not established written policies and procedures for use of the Juvenile Fund and interpretations of allowable costs varied from Center to Center. A DHS representative we spoke with stated the Association of Juvenile Homes, a professional organization for the 10 Centers in Iowa, requested clarification of allowable costs eligible for reimbursement by the Juvenile Fund. As previously discussed, DHS responded in July 2009 by publishing a memorandum addressing Juvenile Fund requirements.

The memorandum defined eligible costs as only those directly related to "establishment, improvements, operation and maintenance" costs associated with the function of detaining youth in the approved facility. The memorandum goes on to state extended, optional or alternative services are not included in the *Code*. Therefore, services such as transportation and tracking services for persons not detained by the Center would be unallowable for reimbursement. A copy of the memorandum is included in **Appendix C**.

We performed analytical testing procedures to determine whether costs were allowable in accordance with the *Code* and whether the *Code* was consistent with current program goals. As a result of these procedures, we identified substantial ineligible cost submissions and we were unable to validate some of the submitted costs. Cost submissions were inconsistent, leading to inequitable distributions. In addition, the *Code* allocates funding in a manner inconsistent with current program goals. Specific findings and examples demonstrating each finding are described in the following paragraphs.

A Review of the Juvenile Detention Home Fund

Program Goals and the Juvenile Fund – DHS officials stated current youth service goals are to provide less juvenile detention and more non-detention youth services, such as in-home detention to aid in keeping at-risk youth from juvenile detention. According to the DHS officials we spoke with, youth in juvenile detention are statistically more likely to be incarcerated as adults. Therefore, utilizing funds to reimburse only those costs directly related to the “establishment, improvements, operation and maintenance” costs associated with detaining juveniles is inconsistent with current program goals. In addition, specific costs not currently allowed for reimbursement, such as costs related to tracking services and in-home juvenile services, may be more relevant to current program goals than juvenile detention. A recommendation regarding this issue is included later in this report. See **Finding B**.

Construction Costs/Depreciation Expense - The *Code* provides for reimbursement of costs for establishment and operation of juvenile homes. Based on this *Code* section, DHS officials allowed Centers to submit all types of expenses for reimbursement during the period of our review. By reviewing the costs submitted by the Centers, we identified costs associated with construction, debt service and depreciation. During interviews with DHS officials, we learned a majority of the Centers have completed major capital improvements at their facilities, either through renovation or new construction, and received reimbursements from the Juvenile Fund. The most recent major capital improvement was at CIJDC.

As discussed in detail in a subsequent section of this report, we scanned the final costs submitted by the Centers for the fiscal year 2009 reimbursement and identified concerns with certain costs. CIJDC incurred construction costs totaling \$565,139.00 in fiscal year 2007 and \$3,511,875.00 in fiscal year 2008, for a total of \$4,077,014.00 in the 2 years. These costs were reported to DHS in fiscal years 2008 and 2009, respectively. In addition, CIJDC took out a loan to finance the construction and made \$2,344,679.00 of loan payments, including interest, in fiscal year 2008 (reported in fiscal year 2009). Claiming both actual construction costs of \$3,511,875.00 and \$2,344,679.00 in payments on a loan to pay for the construction costs constitutes a double claim and DHS should not have approved payment of both.

By submitting loan payments for the construction costs already claimed, CIJDC received an additional \$309,126.00 in Juvenile Funds, effectively reducing allocations to other Centers by that amount. DHS officials provided documentation verifying it requested additional explanation from CIJDC. However, DHS did not take adequate steps to verify CIJDC’s response and ensure the expenditures paid for by the loan payments were not already claimed.

We compared the construction costs CIJDC claimed to costs claimed by other Centers and identified other potential issues regarding construction and building costs.

- Debt service and construction costs claimed – As previously stated, CIJDC submitted costs for both actual construction costs and the related debt service.
- Debt service - North Iowa claimed \$78,634.20 of debt service payments in fiscal year 2009 which appear to be related to a building addition completed in 1995. According to a Center representative we spoke with, in the 1990’s DHS did not permit Centers to submit construction costs in the year construction was completed, but Centers were allowed to claim debt service to fund the construction.
- Depreciation – South Iowa claimed \$110,495.00 of depreciation and amortization expense. According to South Iowa’s accountant, these costs were related to building and building improvement depreciation. South Iowa was the only Center to claim depreciation on a building. In addition, records indicate South Iowa was reimbursed for the construction of those buildings through yearly debt service payments. South Iowa stated the debt service on the construction was 15 years and records show the debt service was paid off in fiscal year 2006. South Iowa should not receive reimbursement for depreciation in addition to the prior debt service as this would provide duplicate cost recovery.

We did not identify any costs related to physical infrastructure at any of the other Centers.

A Review of the Juvenile Detention Home Fund

Table 7 summarizes the allocations with and without the construction, debt service and depreciation costs (building costs) submitted by CIJDC, North Iowa and South Iowa in fiscal year 2009.

Table 7

Center	DHS Allocation	Allocation without Building Costs	Difference
Central Iowa Juvenile Detention Center	\$ 1,256,741	315,981	(940,760)
Dubuque Detention Facility	67,855	94,257	26,402
North Iowa Juvenile Detention	218,083	283,743	65,660
Northwest Iowa Youth Emergency Services	106,068	147,339	41,271
Polk County Youth Services	727,576	1,010,677	283,101
Scott County Juvenile Detention Center	144,133	200,216	56,083
South Iowa Area Detention Services	334,443	437,600	103,157
Southwest Iowa Juvenile Detention Center	192,027	266,745	74,718
Woodbury County Juvenile Center	245,126	340,505	95,379
Youth Services of Linn County	501,129	696,118	194,989
Total	\$ 3,793,181	3,793,181	-

As shown in the **Table**, the other Centers would have received additional allocations from the Juvenile Fund, ranging from \$26,402.00 to \$283,101.00 in fiscal year 2009, had CIJDC's construction and loan payments along with North Iowa's debt service and South Iowa's depreciation costs not been included in the allowable costs. CIJDC would have received \$940,760.00 less in Juvenile Fund allocations had construction costs and loan payments not been claimed in fiscal year 2009.

The issue of allowing construction costs and depreciation in their entirety when Centers decide to make significant improvements to their facilities is not specific to these 3 Centers as multiple Centers have received significant allocations similar to CIJDC in prior years. DHS' approval of construction costs and depreciation significantly impacted Centers. See **Finding C**.

The inconsistency in treatment of building related costs, such as construction, debt service and depreciation, makes it difficult to determine whether costs submitted by the Centers are appropriate.

While the *Code* allows establishment and improvement costs to be funded by the Juvenile Fund, we identified the following concerns with including capital improvement costs in the allocation calculation used by DHS:

- The current reimbursement structure allowing Centers to submit construction costs in the year they are incurred significantly impacts all Centers' reimbursements if 1 or more Centers make significant capital improvements.
- The current reimbursement structure does not require assessment of need or evaluation of planned usage of the facilities being built or improved. For example, we identified multiple Centers not operating at full capacity. In addition, Centers are utilizing facilities funded, in part, by the Juvenile Fund for non-detention services to youth in the community. Currently, these costs are not reimbursable through the Juvenile Fund.
- As previously stated, DHS officials stated current youth service goals are to provide less juvenile detention and more non-detention youth services, such as in-home detention, to aid in keeping at-risk youth from juvenile detention.

A Review of the Juvenile Detention Home Fund

In accordance with the *Code of Iowa*, Centers are to receive reimbursement in a manner approved by DHS. Therefore, DHS has authority to determine the manner of reimbursement and should ensure funding provided for capital improvements meets the intent of the Juvenile Fund as stated in the *Code*. DHS should also ensure the Centers report construction costs in a consistent manner. Our recommendations regarding the costs submitted for construction are discussed later in the report. See **Finding D**.

Tracking Services – Tracking services involve activities such as monitoring juvenile activities, being in contact with juveniles through multiple communication avenues and providing one-on-one guidance to juveniles outside detention facilities. Based on the current allowable activities, including “establishment, improvements, operation and maintenance” of the juvenile homes, and the July 2009 memorandum, tracking services are not eligible costs to be paid from the Juvenile Fund.

Prior to the July 2009 memorandum, Centers providing tracking services submitted full costs of tracking services and received reimbursement from DHS. The Centers which provide tracking services include NWI and CIJDC.

According to an NWI official we spoke with, the Center reduced the fiscal year 2008 costs claimed for tracking services by the amount not related to detention services. NWI made the reduction a full year before DHS issued the July 2009 memorandum. The NWI official reported NWI deducted certain tracking expenses because it didn’t believe the costs should be included in the reimbursement from the Juvenile Fund. NWI changed its cost submission procedures for fiscal year 2009. Tracking costs are now accounted for separately and were not included in the submission, according to NWI officials. Although we determined NWI did not deduct all tracking costs from the costs submitted for fiscal year 2008, it deducted some costs due to the nature of the costs while CIJDC submitted all its costs related to tracking.

We determined CIJDC submitted all costs associated with providing tracking services for fiscal year 2008 prior to DHS’ July 2009 memorandum. CIJDC’s financial statement for fiscal year 2008 (reported to DHS in fiscal year 2009) recorded tracking service revenues totaling \$835,016.00 from other sources. After the DHS memorandum, CIJDC adjusted its fiscal year 2009 cost submission by \$468,893.18. We did not analyze cost records to verify all costs associated with tracking services had been deducted from CIJDC’s cost submission. However, if the costs were accurately calculated, it would mean CIJDC’s profit margin was 44%, which is much higher than would be expected for a 28E organization. A 28E organization is, by nature, a not-for-profit organization.

It appears CIJDC either inaccurately reported costs for tracking and included them in costs claimed for juvenile detention services or charged significantly more than necessary because the profit margin given the costs CIJDC reported is 44%. In addition, as previously demonstrated, CIJDC submitted significantly higher costs per bed day than all other Centers, indicating costs related to other services may be included in the cost submissions.

Based on our limited review of financial documentation and discussions with Center representatives, CIJDC and NWI were the only Centers which provided tracking services during our review period. However, we did not conduct procedures to verify other Centers did not provide tracking services. We have included recommendations to DHS to address reimbursement of services ineligible for Juvenile Fund reimbursement. See **Finding E**.

Transportation Services - Transportation services are provided for a number of purposes, such as transporting detained children to court-ordered appearances, according to DHS. According to DHS, transportation services may be necessary for detained youth and would be considered an allowable cost of operation billable to the Juvenile Fund, or they may be provided for other programs unrelated to detention services.

We identified 4 Centers which provided transportation services during our review period. We contacted the other Centers and performed limited review of financial documentation and did not

A Review of the Juvenile Detention Home Fund

identify additional Centers which provided transportation services during our review period. Several providers stated local Sheriff's offices provided all required transportation services for them at no additional cost. However, we did not conduct procedures to verify other Centers did not provide transportation services.

During review of Center financial statements, we identified several Centers which reported revenues for transportation services in their financial statements. Transportation costs, however, were included with other operating costs and not separately reported in the financial statements. South Iowa reported \$107,968.00 and \$107,707.00 in operating revenues from juvenile transports in fiscal years 2007 and 2008, respectively. According to a South Iowa representative we spoke with, the revenues were reimbursements from counties, not payments from outside sources. Therefore, South Iowa stated all costs claimed were allowable. Based on the information submitted to DHS, we were unable to determine if costs associated with South Iowa's transportation revenues qualified for Juvenile Fund reimbursement.

We recognize a portion of transportation services Centers report for Juvenile Fund reimbursement is related to detained juveniles. However, none of the transportation services associated with another funding source or associated with transportation services for juveniles outside the period of their detention should be eligible for reimbursement from the Juvenile Fund.

Table 8 summarizes the revenues shown in financial reports for 3 of the 4 Centers identified. However the **Table** does not include the costs incurred related to providing these services. In order to determine the actual costs incurred to provide the transportation services and to determine which portion of transportation services is ineligible for reimbursement, it would be necessary to complete a cost analysis of each Center.

Center	FY07	FY08
Central Iowa Juvenile Detention Center	\$ 397,474.00	389,337.00
North Iowa Juvenile Detention	33,254.63	28,318.10
South Iowa Area Detention Center	107,968.00	107,707.00
Total	\$ 538,696.63	525,362.10

In addition to the Centers listed in the **Table**, Polk County stated it has a full time driver on staff. Although revenues and costs were not specifically detailed in Polk County's financial records, it provided transportation services.

Prior to DHS' memorandum, DHS did not require support for submitted costs and the 3 Centers in the **Table** received Juvenile Fund allocations based on costs which included providing transportation reimbursed by other sources in fiscal year 2008. However, in fiscal year 2009 after the DHS memorandum, CIJDC and North Iowa removed costs related to transportation from their cost submissions to DHS. CIJDC reduced its cost submission by \$148,801.53 and North Iowa reduced its cost submission by \$12,304.53 for transportation related expenditures. Based on this information, CIJDC's profit margin was 62% and North Iowa's profit margin was 57%.

We did not evaluate the costs CIJDC and North Iowa removed from their cost submissions to ensure all transportation costs ineligible for Juvenile Fund allocation were properly excluded. However, given the large profit margins calculated, we conclude the Centers either understated transportation costs ineligible for reimbursement (and included them in costs claimed for juvenile detention services) or charged significantly more than necessary for those services.

A Review of the Juvenile Detention Home Fund

South Iowa left the transportation costs in its cost submission because it purported all revenues received were reimbursements from counties and were representative of allowable costs. As previously stated, based on the information submitted to DHS, we were unable to verify South Iowa's statement. When we asked a DHS representative about South Iowa's costs, the DHS representative we spoke with stated:

“It is unresolved that the DHS has authority to prohibit a facility from claiming a cost that is otherwise a legitimate/eligible detention cost if it is paid for by other sources...”

However, DHS' July 2009 memorandum states, “eligible costs are limited to those that are directly attributable to the function of detaining youth in the approved facility...” We believe transportation costs reimbursed by other funding sources should not be eligible for Juvenile Fund reimbursement using DHS' definition of eligible costs. In addition, as previously stated, DHS has authority to implement restrictions on reimbursements consistent with its interpretation of the *Code*.

As a result, DHS should not have performed sufficient procedures to verify all transportation costs included by Centers in claims to DHS were not paid by other funding sources and were not for transporting juveniles not in detention at the time the transportation was provided.

As previously addressed, we have included a recommendation later in the report addressing reimbursement of services funded by other sources. See **Finding F**.

School Lunch Program – Of the 10 Centers, 8 provided supporting documentation for their costs, which included costs associated with food for the juveniles. All 8 Centers received funding from the Department of Education (DE) for school lunch program costs according to financial statements provided with the Centers' claims in fiscal year 2009. Representatives from several Centers stated the costs reimbursed by another government program should not be submitted to DHS for reimbursement. However, Centers consistently included lunch program costs in their cost submissions to DHS. We were unable to determine the actual costs each Center incurred. Although financial reports for the Centers summarize the revenues from DE, they do not itemize costs in a manner to determine the total costs each Center incurs.

In fiscal year 2009, Polk County reduced its cost submission to DHS by revenues received from DE. Polk County was the only Center to deduct school lunch program costs from its cost submission. DHS did not take action to ensure all Centers were consistent in reporting school lunch program costs. Therefore, Polk County's allocation from DHS decreased while other Centers received funds from both DE and the Juvenile Fund for costs related to the school lunch program.

As previously stated, DHS should ensure costs submitted by the Centers do not include those funded by other sources. See **Finding F**. In addition, it is DHS' responsibility to ensure the costs submitted are approved in a consistent manner. DHS has not incorporated adequate cost analysis procedures to identify and address inconsistencies in the costs submitted by the Centers. See **Finding G**.

Miscellaneous Non-Detention Services - In addition to the non-detention services previously discussed, we identified other costs which do not appear to be directly attributable to detaining youth in the Centers. For example, CIJDC submitted costs to DHS, or advertised on their website provision of non-detention services, including:

- Family team meetings – Meetings in which parents, children, social workers, attorneys and other involved parties are brought together in a neutral location to discuss family needs and come up with solutions with the help of a facilitator.
- Fiscal agent services – Services to provide needed resources to families who do not have the means to purchase the resources themselves. These payments range from gas cards

A Review of the Juvenile Detention Home Fund

to kitchen appliances or anything else the family needs in order to provide a safe and stable living environment so their children can return home.

CIJDC removed fiscal agent services costs included in the costs submitted to DHS after DHS officials requested additional information about the costs. Based on the revenues reported and the costs deducted, CIJDC would have received a profit margin of 57% for these services. Based on the large profit margin calculated, we conclude CIJDC either understated the fiscal agent costs ineligible for reimbursement (and included them in costs claimed for juvenile detention services) or charged significantly more than necessary for those services.

- Drug and alcohol testing – Based on a referral from DHS, CIJDC may provide services to test clients (ranging in age from infant to adult) for reasons such as substance abuse, substance abuse in the home of a child and guardian attempts to regain custody of a child. The authorizations are based on funding sources which include court order, protective services, child welfare and decategorization. CIJDC removed the drug testing costs included in the costs submitted to DHS after DHS officials requested additional information about the costs.
- Other support services – Services provided through Decategorization Clusters provide goods and services to clients who are in need for reunification purposes. For example, if specific needs are identified to reunite families but families cannot afford to provide the identified needs, the support services through the Decategorization Clusters may provide those specific needs.

Based on discussion with DHS representatives and descriptions posted on CIJDC's website, these services are available for non-detention clients and are funded by separate contracts with DHS, juvenile courts or other sources. Some of the services were not specifically listed in the financial statements for CIJDC. As a result, an analysis of cost reports would be necessary to determine the actual costs incurred to provide the services and the applicability of any of the services to detained juveniles. Services reimbursed by other funding sources or not directly applicable to detaining juveniles would not be eligible for reimbursement by the Juvenile Fund.

Representatives of other Centers stated they provide in-home detention services. However, the financial statements do not include the detail necessary to identify in-home services which would not be within the limits specified by the *Code* for the Juvenile Fund. Additional ineligible expenses could be included in the costs claimed by a number of Centers but were not detected because detailed cost reports were not available for our review. In order to identify any additional services provided by Centers which do not meet the definition of detention services, additional analysis of financial records would be required.

Other potential non-detention services or unsupported services not applicable to the juvenile facility or the services for detained children include sharing of staff, facilities, administrative services and fixed asset allocations. For example, Dubuque operates the juvenile detention facility from the County jail. Oversight is provided by Deputies employed by the Dubuque County Sheriff's Office. When reviewing Dubuque cost submissions to DHS, we determined costs were based on estimates. Records verifying which costs were associated with the jail's operations and which were attributable to the juvenile detention center portion of the facility were not provided. As a result, Dubuque could not provide adequate support the costs submitted did not include costs associated with jail operations.

We have addressed reimbursement of costs not associated with the Juvenile Fund later in the report. See **Finding E**.

Security Deposits - When entities participate in the contract bidding process, security deposits may be required. The deposit is used as earnest money to ensure the entity maintains compliance with rules of participation for contract solicitation. Upon finalization of the contract, security deposits are returned to the entity.

A Review of the Juvenile Detention Home Fund

Security deposits do not directly pertain to the function of detaining youth at the Centers. In addition, while the security deposits represent a cash outlay for operations of the Center, those outlays are eventually returned to the Centers, resulting in no net cost to the Center. Because security deposits are not directly related to provision of detention services or the facility, they are not eligible for reimbursement from the Juvenile Fund.

Although beyond the period of our review, we determined CIJDC received reimbursements from DHS in fiscal year 2007 for fiscal year 2006 costs which included \$25,000.00 of security deposits. In CIJDC's audit report for the year ended June 30, 2008, the Office of Auditor of State disclosed the fiscal year 2006 costs submitted by CIJDC "exceeded the disbursements in the audit report by \$25,000.00 due to including disbursements of \$25,000.00 for security deposits which were subsequently returned to the Center." The Auditor of State also recommended to CIJDC "the disbursements claimed for proportional reimbursement should not exceed those reported in the audit report."

In addition, CIJDC included \$225,000.00 of security deposits in its initial submission of fiscal year 2008 costs to DHS for reimbursement in fiscal year 2009. Despite the recommendation made by the Office of Auditor of State in the June 30, 2008 audit report issued in January 2009, CIJDC did not remove the \$225,000.00 from its costs when it updated its submission to DHS after our fieldwork and DHS' July 2009 memorandum.

DHS approved CIJDC's cost submission, including the security deposits. According to DHS representatives we spoke with, a CIJDC representative stated the Office of Auditor of State approved inclusion of the expense, which is inaccurate. Therefore, the Juvenile Fund reimbursements distributed in fiscal year 2009 based on fiscal year 2008 expense submissions were inaccurate. However, DHS subsequently reallocated costs and amended Juvenile Fund distributions to remove the \$225,000.00 security deposit submission from CIJDC. As previously stated, DHS has a fiduciary responsibility to ensure the costs reimbursed to the Center are reasonable. See **Finding G**.

Cost Calculation Errors - In addition to including costs which do not meet the definition of allowable costs, we determined Polk County and Woodbury County improperly calculated costs for submission to DHS. Our findings are summarized in the following paragraphs.

- Polk County – Polk County did not provide support for the allocation rates used to calculate costs reported to DHS for fiscal year 2008. Polk County reported 50% of the administration costs for the County's Community, Family and Youth Services and 85% of the In-take Center costs were related to juvenile detention. We requested documentation to support the allocation percentages, but Polk County representatives did not provide support for either rate.

Based on information collected for In-take Center services, the In-take allocation was too high. In fiscal year 2007 (reported to DHS in fiscal year 2008), the percentage of children transferred from the In-take Center to the Detention Center was 46% rather than the 85% allocation Polk County used. Polk County later reduced the percentage claimed in fiscal year 2009 to 33% for fiscal year 2008 costs submitted after a review of records.

In addition to administration and In-take Center allocations, Polk County also added a 16.14% overhead cost applied to salaries and benefits for the costs reported for fiscal year 2008. Polk County did not provide support for the 16.14% overhead rate. Based on Polk County's description of the overhead calculation, overhead should have only been applied to salaries. However, Polk County improperly applied the overhead rate to salaries and benefits.

Although the 16.14% overhead rate and 50% administration costs were not supported, we used them to calculate an estimate of the costs Polk County should have submitted by adjusting the In-take percentage to 46% and limiting overhead costs to only salaries.

A Review of the Juvenile Detention Home Fund

Table 9 summarizes the costs claimed by Polk County for the fiscal year 2008 allocation, the estimated costs we calculated and the difference between the 2 amounts by cost center.

Cost Center	Claimed Costs	Calculated Costs	Difference
Detention Center	\$ 3,862,353.75	3,728,416.39	133,937.36
In-take	843,329.45	445,564.51	397,764.94
Youth Services Administration	243,212.21	237,098.50	6,113.71
Total	\$ 4,948,895.41	4,411,079.40	537,816.01

If Polk County had not submitted the unsupported costs summarized in the **Table**, it would have received \$85,146.61 less from the Juvenile Fund in fiscal year 2008 and funds allocated to the other 9 Centers would have been increased by that amount. Because none of the allocation rates used by Polk County were adequately supported, we were unable to identify any additional cost overages which Polk County may have submitted to DHS.

For the fiscal year 2009 allocation, Polk County initially submitted costs of \$4,785,059.00 to DHS. After DHS issued its July 2009 memorandum, Polk County submitted adjusted costs to DHS of \$4,565,223.00, a reduction of \$219,836.00. However, we subsequently brought concerns to DHS regarding Polk County's inadequate supporting documentation for submitted costs. As a result, DHS requested additional information from Polk County, ultimately resulting in further reductions in claimed costs to \$4,139,917.00, an additional reduction of \$425,306.00. Based on the adjustments calculated for the fiscal year 2008 allocation in **Table 9** and the significant adjustments Polk County made to the costs submitted for the fiscal year 2009 allocation, it is clear the amounts Polk County originally reported to DHS were overstated.

- Woodbury County – In fiscal year 2008, Woodbury County Juvenile Center (Woodbury County) submitted budgeted costs for the year instead of actual expenditures from the prior year as required by the Code. For the Juvenile Fund allocation in fiscal year 2008, Woodbury County should have submitted actual costs incurred in fiscal year 2007 of \$1,228,722.19, adjusted to remove any ineligible costs included in the total. However, Woodbury County submitted its fiscal year 2008 budget instead, which was \$1,389,466.00. Without any adjustments, if Woodbury County had properly submitted its costs to DHS, its allocated portion of the Juvenile Fund would have been \$264,531.20. However, it received \$296,412.48, which is \$31,881.28 more than it should have received.

For the Juvenile Fund allocation in fiscal year 2009, Woodbury County should have submitted actual costs incurred in fiscal year 2008 of \$1,406,921.99, adjusted for any ineligible costs included in the total. However, Woodbury County initially submitted its fiscal year 2009 budget instead, which was \$1,491,353.00. After our review period, DHS increased controls and stated it had addressed the reporting errors with Woodbury County. Woodbury County's updated cost submission for fiscal year 2008 reimbursement was \$1,394,770.00, a reduction of \$96,583.00 from the initial submission. We did not evaluate the updated costs, but the costs submitted are lower than total costs of \$1,406,921.99 as shown on the financial support provided. As a result, it appears Woodbury County corrected its billing practices to reflect actual eligible costs rather than estimated costs.

We have addressed unsupported cost submissions later in this report. See **Finding H**.

A Review of the Juvenile Detention Home Fund

In addition to cost calculation errors for Polk County and Woodbury County, there could be additional overstatements not identified during our review. For instance, Dubuque and SWI did not provide support for submitted costs as requested, so we were unable to verify the accuracy of their claims. In addition, given the limited scope of our review, other Centers may have also had calculation and allocation errors we did not identify. Further, as previously discussed, other Centers included costs in their submissions to DHS which do not comply with the limitations of the Code.

DHS Controls

As part of our analysis of program operations, we reviewed DHS' control procedures for effectiveness. As previously explained, prior to approval of Juvenile Fund payments, each Center must successfully complete a licensing procedure in which DIA visits the Center to verify the Center is in compliance with *Code* standards of operation. After DIA determines a Center meets *Code* standards, DHS issues the Center a 1-year operating license. The Center is then eligible to submit its costs to DHS for use in calculating the Center's prorated allocation of the Juvenile Fund.

Prior to the July 2009 memorandum, DHS stated it did not verify the accuracy of the cost submissions from the Centers. DHS relied on Centers to report accurate, eligible costs. Although DHS stated some Centers voluntarily provide supporting documentation of their costs, supporting documentation was not required.

As previously stated, the *Code* limits costs to "establishment, improvements, operation and maintenance" of juvenile homes and DHS' interpretation of the *Code* restricts eligible costs for reimbursement to costs associated with the licensed facility and the detention of children. However, DHS did not take adequate control measures to ensure the costs submitted by the Centers and subsequently approved for reimbursement were in conformance with cost limitations.

During discussions with DHS officials, they concurred the *Code* did not provide adequate guidance on the costs intended to be paid from the Juvenile Fund. DHS did not implement controls to mitigate the risks associated with the lack of specific guidance provided by the *Code*. However, as previously discussed, DHS published a memorandum clarifying reimbursement requirements and limitations and requiring cost report submissions in support of costs claimed. Such instruction and clarification is beneficial to clarifying and increasing consistency of cost submissions.

As previously stated, a copy of the memorandum issued by DHS in July 2009 is included in **Appendix C**. As illustrated by the **Appendix**, it states, in part:

"The current statute makes no distinction about whether the total costs submitted may or may not have another funding source. Therefore, it does not prohibit a facility from submitting eligible costs that may have another funding source..."

We do not believe it is appropriate to use a portion of the Juvenile Fund to reimburse Centers for costs which are also funded by another source. As previously stated, certain Centers' officials also expressed concern regarding the ability to receive more than 1 reimbursement for the same cost. Allowing Centers to submit costs which are funded by a source other than the Juvenile Fund is not an efficient use of the Fund and allows the Centers to receive a duplicate reimbursement for certain costs.

Also, as illustrated by the **Appendix**, the memorandum stated if DHS became aware of duplicate cost submissions to the Juvenile Fund and other funding sources, it would be incumbent on DHS to notify the other funding source so appropriate conditions of the other funding source could be applied. According to DHS officials we spoke with, they did not believe they could incorporate program requirements to prevent duplicate cost recovery.

A Review of the Juvenile Detention Home Fund

DHS must use professional judgment when administering the Juvenile Fund. It is reasonable to interpret the *Code* to limit reimbursements to only those costs not satisfied by another funding source. As the administrator of the Juvenile Fund, DHS has the authority to incorporate its interpretation of *Code* requirements into the IAC to provide further instruction on Juvenile Fund administration. In addition, it is DHS' fiduciary responsibility to ensure the Juvenile Fund is used in the most effective and efficient manner possible. This would preclude allowing reimbursement of costs which are also funded by other sources. We have included a recommendation to address this issue. See **Finding G**.

We determined the controls in place at DHS prior to the July 2009 memorandum were not sufficient and contributed to the inaccuracies identified during our review. In addition, the lack of oversight and cost verification procedures has resulted in a misrepresentation of actual costs, which in turn resulted in inequitable distribution of the Juvenile Fund. Centers were motivated to escalate the costs they reported in order to receive a larger portion of the Juvenile Fund.

Revised Costs Reported by Centers

As previously stated, at the time we began our fieldwork, the Centers had submitted estimated costs of \$23,227,583.00 to DHS for fiscal year 2009. However, those costs were subsequently reduced by over \$1.6 million after DHS officials provided additional guidance and restrictions on the types of costs the Centers were to submit. The additional information provided by DHS was, in part, a result of preliminary findings we identified as a result of our fieldwork and discussions with DHS officials.

DHS officials we spoke with stated they reviewed the revised cost submissions and followed up with Centers when they identified costs they were unfamiliar with. We also performed a brief review of the final costs submitted by the Centers. As a result of that review, we identified a number of costs which do not seem reasonable based on factors such as the number of juveniles served by a Center, a review of financial statement disclosures for certain costs and large disparities between costs submitted by the Centers. We only scanned the costs claimed and followed up with DHS for the more significant concerns identified. As a result, we do not believe this list to be inclusive of all costs for which we would have identified concerns had we performed additional procedures. However, based on the limited testing we completed, we identified the following:

- As previously stated, CIJDC submitted loan payment costs totaling \$2,344,679.00 to DHS in fiscal year 2009. DHS requested additional information from CIJDC regarding the loan payments. CIJDC stated the loan was associated with operations, including some "building related issues" and "operational bill paying and detention payrolls." However, according to the audited financial statements, the loan payments were for bank loans issued for construction costs. In fiscal year 2009, DHS approved all construction costs incurred by CIJDC totaling \$3,511,875.00. Therefore, claiming the loans to pay for the construction would be duplicative and DHS should have denied allocations of \$309,126.00 to CIJDC associated with the loan payment. DHS needs to ensure it understands all costs claimed and performs adequate review to identify duplicate costs when submitted. See **Finding G**.
- Dubuque claimed wages and benefits to cover 5 employees daily. It stated this was necessary to cover all 3 shifts, since 24/7 coverage is necessary. Further, rather than basing the costs on actual timesheets, salaries and benefits of the employees, Dubuque developed an estimated number of hours served, hourly rate and benefits cost. As previously stated, Dubuque's juvenile detention facility is located in the County jail. Therefore, Dubuque has staff on hand at the jail to cover jail operations as well as juvenile detention. It appears Dubuque may have not accurately prorated staff costs for juvenile detention.

When we asked a DHS representative about the estimates Dubuque submitted for the number of staff needed, he stated it is not uncommon to staff more than the minimum

A Review of the Juvenile Detention Home Fund

requirement for detention, but DHS “can’t say whether or not it was appropriate.” The DHS representative stated DHS informed the Director at Dubuque when Dubuque was approved for the Juvenile Fund he would have to maintain accurate accounting records to divide costs between jail and juvenile detention.

In addition, the DHS representative stated Dubuque reduced its costs significantly from the prior year. We do not believe this is reason to accept the claimed costs. In accordance with section 232.142 of the *Code*, Juvenile Fund allocations are based on total costs. Therefore, it is not permissible to allocate funds to Centers based on estimated costs. Dubuque must have adequate records of actual costs to be eligible for allocations from the Juvenile Fund. DHS did not request sufficient information to verify the costs Dubuque claimed were appropriate.

- When comparing costs from Center to Center, we identified large differences between costs submitted by the Centers as demonstrated by the following:
 - Custodial supplies - custodial supply costs itemized in cost reports ranged from \$102.53 to \$4,181.12. While we recognize capacity and usage will vary from Center to Center, we do not believe the variances between Centers are reasonable.
 - Staff travel costs - CIJDC claimed staff travel costs of \$51,398.46. This cost is significantly higher than any other Center’s travel costs. Most other Centers claimed minimal or no staff travel costs. Since CIJDC provided transportation services funded through contracts with other state agencies and since the amount is significantly more than any other Center not providing transportation services to other customers, we do not believe the claimed amount is reasonable. DHS did not request sufficient information to verify the costs CIJDC claimed were appropriate.
 - Vehicle costs - CIJDC claimed vehicle costs of \$66,200.92. As with staff travel costs, vehicle costs claimed by CIJDC were significantly higher than any other Center’s vehicle costs. Because CIJDC provides unrelated tracking and transportation services through contracts with other state agencies which would require use of vehicles and because the amount of vehicle costs submitted by CIJDC is significantly more than any other Center not providing transportation or tracking services, we do not believe the claimed amount is reasonable. DHS did not request sufficient information to verify the costs CIJDC claimed were appropriate.
 - Revenue offsets – Polk County reduced its submitted costs by revenues received from non-member counties for juvenile services and revenues received from DE for the food service program. All other Centers received revenues from non-member counties and most Centers received revenues from DE. However, Polk County was the only Center which deducted those revenues from its claim. Because none of the other Centers reduced claims by these amounts, Polk County was negatively impacted by its efforts to claim only net costs. DHS has not implemented procedures to ensure the costs are submitted in a consistent manner by the Centers.
 - Contracted transportation costs - South Iowa did not deduct transportation costs relating to transportation funded by other state agencies from the cost submitted to DHS in fiscal year 2009 although it received transportation revenues of \$107,707.00. Costs related to the services associated with the transportation revenues should not have been permissible. Other Centers providing contracted transportation services reduced their claims by costs of providing contracted, non-detention services. Because South Iowa chose not to deduct the expense, it received a larger allocation.

A Review of the Juvenile Detention Home Fund

- Contracted transportation and tracking costs - Centers deducted expenses for travel and tracking costs from claimed costs after DHS' July 2009 memorandum was issued because the travel and tracking were financed by other state agencies. However, when comparing the revenues received to the costs deducted, we concluded some Centers either did not adequately deduct all costs related to travel and tracking or received large profit margins for these services, which is not consistent with the purpose of government organizations. DHS did not request sufficient information to verify the costs deducted were appropriate.
- During the audit of North Iowa's financial statements for fiscal year 2009, staff from the Office of Auditor of State identified an error in cost classifications. North Iowa reported revenues of \$27,439.00 for employee contributions for certain benefits. These employee contributions should have offset expenses rather than being classified as revenues. By classifying the expense offsets as revenues, North Iowa submitted an additional \$27,439.00 in expenses to DHS for reimbursement from the Juvenile Fund.

We contacted North Iowa to determine how long the employee contributions had been reported as revenues rather than as expense offsets. The North Iowa representative we spoke with stated the practice had been in place before he joined the staff at North Iowa many years ago. Therefore, North Iowa's cost submissions to DHS were artificially high in the years we reviewed by the amount of employee contributions recorded.

We have addressed final fiscal year 2009 cost submission findings later in the report. See **Finding I.**

Because DHS implemented new guidance and documentation requirements as a result of our fieldwork, testing of the new requirements was not included in our initial review. The additional controls DHS implemented in the form of increased supporting documentation requirements for submitted costs are an improvement to prior program operations. However, for the additional reporting requirements to be effective, DHS must perform sufficient review and analysis of the cost documentation submitted by the Centers to make the reporting requirements effective in increasing controls.

DHS officials we spoke with stated they reviewed the cost submissions and followed up with Centers when they identified costs they were unfamiliar with. However, based on concerns we identified after a brief review of the final cost submissions, it appeared DHS was still relying on the Centers to accurately represent eligible costs. For example, a representative of CIJDC told DHS officials security deposits were permissible based on an Auditor of State report and DHS accepted the explanation without ensuring the costs met the intent of the Juvenile Fund. In addition, when we discussed lack of adequate support at Polk County for its cost allocation percentages, DHS officials stated Polk County had made adjustments which correctly represent the Center's costs.

Fiscal year 2008 costs were to be submitted by the Centers shortly after DHS released its July 2009 memorandum. After receiving the cost information, DHS proceeded to distribute the Juvenile Fund reimbursements to the 10 Centers in mid-August 2009. On August 25, 2009, after DHS distributed the reimbursements to the Centers, we met with DHS officials and informed them of specific ineligible costs we identified during our reviews of Centers' supporting documentation. Although the meeting was after DHS distributed the reimbursements, DHS officials took action to address the issues we identified and made retroactive adjustments, which resulted in 2 Centers reducing their total cost submissions which, in turn, increased the other 8 Centers' portion of the Juvenile Fund distribution.

Based on our discussions, DHS contacted CIJDC and informed it the CIJDC total approved cost submission would be reduced \$225,000.00 for ineligible security deposits claimed. DHS officials also contacted Polk County and requested supporting documentation and additional information to support specific costs Polk County submitted to DHS without adequate support. As a result of

A Review of the Juvenile Detention Home Fund

the inquiry, Polk County submitted an amended cost summary, which reduced claimed costs by \$425,306.24. The reduction in total Center costs submitted as a result of these adjustments was \$650,306.24. This reduction in total costs changed each Center's prorated allocation from of the Juvenile Fund. When fiscal year 2009 Juvenile Fund collections were finalized, DHS used the costs reported by the Centers to prorate the Juvenile Fund and distribute the allocations to the Centers as shown in **Table 10**.

As previously stated, prior to our review and DHS' memorandum clarifying allowable costs, Centers estimated their costs for fiscal year 2008 were \$23,227,583.00. Centers later adjusted the submitted costs to \$22,233,551.00 after receiving the memorandum from DHS in July 2009. However, after DHS approved reimbursements based on total costs of \$22,233,551.00 we determined the revised costs still included ineligible costs. As a result of our concerns, DHS then modified the awarded reimbursements to remove ineligible costs claimed for reimbursement by both CIJDC and Polk County to make the final cost submissions for all Centers \$21,583,245.00. DHS reallocated the reimbursements to the Centers to correspond with the final cost submissions. **Table 10** summarizes the original, adjusted and final cost submissions and the final approved Juvenile Fund reimbursements.

Table 10

Center	Original Estimated Costs	Adjusted Costs after DHS Memo	DHS Final Adjusted Costs	DHS Reimburse- ment
Central Iowa Juvenile Detention Center	\$ 8,171,208	7,375,871	7,150,871	1,256,741
Dubuque Detention Facility	386,096	386,096	386,096	67,855
North Iowa Juvenile Detention	1,239,619	1,240,897	1,240,897	218,083
Northwest Iowa Youth Emergency Services	586,5230	603,526	603,526	106,068
Polk County Youth Services	4,785,059	4,565,223	4,139,917	727,576
Scott County Juvenile Detention Center	828,625	820,120	820,120	144,133
South Iowa Area Detention Services	1,795,036	1,902,983	1,902,983	334,443
Southwest Iowa Juvenile Detention Center	1,092,637	1,092,637	1,092,637	192,027
Woodbury County Juvenile Center	1,491,353	1,394,770	1,394,770	245,126
Youth Services of Linn County	2,851,428	2,851,428	2,851,428	501,129
Total	\$ 23,227,583	22,233,551	21,583,245	3,793,181

As a result of the procedures we performed, we identified a lack of controls to ensure cost submissions to DHS were accurate, which resulted in use of inaccurate costs as the basis for allocating proceeds from the Juvenile Fund to each Center. We also determined the current allocation procedures used by DHS can result in inequitable distribution of funds, which we do not believe to be the intent of the *Code*. Further, the types of costs specified by the *Code* no longer appear to be reflective of current trends in juvenile detention services.

Administrative Concerns

In addition, we identified minor administrative problems with Board minute publications which Centers should correct in order to maintain compliance with reporting standards.

Publication of Board minutes - Based on concerns brought to our attention prior to our fieldwork, we selected a sample of Board meeting minutes to request from each of the 10 Centers to ensure:

- The Board meeting minutes were published as required by the applicable *Code* section.

A Review of the Juvenile Detention Home Fund

- The published Board meeting minutes included salaries of all entity personnel at least annually.
- The Board meeting minutes indicated the Board was adequately functioning as the oversight body for the Center.

As previously summarized in **Table 2**, 5 Centers are multicounty entities set up as 28E organizations. In accordance with section 28E.6 of the *Code*, the joint Board responsible for administration of the entity is required to publish all regular, adjourned or special meetings of the Board in one newspaper of general circulation within the geographic area served by the joint Board of the entity within 20 days following adjournment of the meeting. In addition, joint Boards are required to publish the names and gross salaries of persons regularly employed by the entity once annually.

As a result of our review of the 5 Centers organized as 28E entities, we determined:

- 1 Center did not provide any Board minutes for our review,
- 2 Centers did not provide support to verify annual publication of employee salaries,
- 1 Center did not provide support for publishing 2 of 5 Board meetings requested,
- 1 Center stated it had not published any Board minutes until February 2009, and
- 1 Center failed to publish Board meeting minutes within 20 days of the meeting.

The following includes detailed findings associated with the 5 multicounty Centers:

CIJDC – CIJDC only provided proof of publication for 3 of the 5 Board meeting minutes selected for testing. Although CIJDC provided proof of publication for other unrequested Board meetings, it only provided support of publication of 3 of the Board meetings in the sample. In addition, CIJDC did not provide supporting documentation to verify employee salaries were published once annually.

North Iowa – North Iowa did not publish 1 of the 5 Board meetings included in our testing until 31 days after adjournment of the meeting.

NWI – NWI did not begin to publish Board meeting minutes until February 2009, according to a NWI official. Therefore, it did not publish employee salaries annually. We reviewed the unpublished minutes to verify the Board held regular meetings and Board minutes exhibited evidence of sufficient involvement in entity operations.

South Iowa – South Iowa did not publish Board minutes in fiscal year 2007 as required by the *Code*.

SWI – SWI did not provide supporting documentation to verify publication of employee salaries annually.

The remaining 5 Centers are single county Centers. Although they may serve other counties, they are established by a single county and are included under the County's Board of Supervisors' responsibilities. In accordance with Chapter 349 of the *Code*, all proceedings of each regular, adjourned or special meeting of the Board of Supervisors, including the schedule of bills allowed, shall be published immediately after the adjournment of the meeting. In addition, salaries paid to persons regularly employed by the county shall be published once annually.

Of the 5 county Centers tested, we determined 2 of the 5 Counties did not immediately publish 4 of 5 Board meeting minutes tested, as required by the *Code*. In addition, we identified a documentation deficiency for 1 Center which did not have publication dates adequately supported.

The following includes detailed findings associated with the 5 county Centers:

A Review of the Juvenile Detention Home Fund

Dubuque County – 4 of the 5 Board of Supervisors meetings tested were published 21 to 32 days after adjournment of the meeting. 3 weeks or longer does not appear to meet the immediate publication requirement of the *Code*.

Polk County – No discrepancies were identified for the minutes reviewed.

Scott County – Support for 3 of the 5 Board of Supervisors meetings published did not include publication dates. However, the other 2 meetings were published timely.

Woodbury County – Minutes of 4 of 5 Board of Supervisors meetings were published between 13 and 23 days after adjournment of the meeting. Approximately 2 weeks or longer is not consistent with the “immediate” publication requirement of the *Code*.

Linn County – No discrepancies were identified for the minutes reviewed.

Because Board minute publication is a requirement established by the *Code*, Centers should work to ensure the minutes are published in a timely manner.

In addition to the publication deficiencies reported, we identified a few publication dates just beyond the required limitations but found the delays to be insignificant. In addition to testing of publication requirements, we reviewed the content of the Board minutes and had no reason to question the oversight performed by any of the Boards.

Licensing of Centers - In order to be eligible to receive allocations from the Juvenile Fund, each Center must receive a license from DHS based on a recommendation from DIA as a result of annual inspections at each of the 10 Centers. The inspections process is required by Chapter 105 of the IAC, which summarizes the minimum operating and documentation requirements of the Centers. The following requirements are included in Chapter 105 of the IAC and tested by DIA:

- Building and grounds:
 - All living areas shall provide for adequate lighting when natural sunlight is inadequate.
 - Each child in care shall have a solidly constructed bed.
 - Personnel handling food shall be free of infection that might be transferred while preparing or handling food.
- Personnel policies:
 - Policies in writing include provisions for vacations, holidays and sick leave.
 - Personnel records shall be maintained by the facility which include specific records listed in the IAC.
- Staff:
 - Facilities having six or more residents shall have at least two staff persons on duty at all times children are usually awake and present in the facility.
- Control room:
 - A control room shall be used only when a less restrictive alternative to quiet or allow the child to gain control has failed.
- Case files:
 - All facilities shall establish and maintain for inspection case files on each child (including specific information detailed in the IAC).

Upon completion of an inspection, DIA provides DHS the licensing review summary narrative report, which details the results of the inspection and includes any deficiencies identified. DIA also recommends DHS issue a full license, a provisional license or no license.

A Review of the Juvenile Detention Home Fund

We reviewed several DIA reports for each of the 10 Centers and determined none of the Centers had received a provisional license or denial of license during our review period. A DIA official we spoke with stated she did not recall ever recommending a provisional license and no license had ever been denied. She stated there is not a set formula for recommending provisional licenses. Rather, it is a decision process between DIA and DHS in which DIA and DHS discuss how to proceed when DIA has findings and recommendations or identifies compliance deficiencies.

We observed licensing reports for 2 Centers in which DIA reported the same deficiencies in consecutive reports in the area of record retention and maintenance. However, the DIA official we spoke with stated deficiencies which could affect the health or safety of the juveniles at the facilities are generally the deficiencies which would warrant recommendation of a provisional license.

We analyzed the DIA licensing reports for consistency and determined testing methodology and procedures are consistent from Center to Center. The consistency of the inspection procedures is also apparent since multiple Centers were reviewed by the same inspector and a DIA program coordinator was responsible for oversight of all 10 Center inspections each year.

During our review, representatives of a few Centers expressed concerns regarding the level of care offered at other Centers. They also expressed concern to DHS or DIA officials. As a result of a concern, DIA conducted an investigation at 1 of the Centers. DIA's recommendation as a result of the investigation was to maintain full licensure for the Center. However, DIA identified deficiencies the Center was required to address. We included review of the DIA inspection report in our procedures and determined DIA performed a comprehensive inspection, including interviews and operational studies which appeared to comprehensively test the operational compliance of the facility, and concluded DIA's actions and testing were sufficient to address the concerns raised.

We included a recommendation regarding application of the provisional license option in the recommendations section of the report. See **Finding J**.

Findings and Recommendations

We reviewed the Juvenile Detention Home Fund (Juvenile Fund) to determine whether the Department of Human Services (DHS) appropriately administered and complied with applicable legislation and administrative rules and whether DHS appropriately coordinated and monitored distributions from the Juvenile Fund. Our review included an assessment of the controls over the Juvenile Fund, including the application, monitoring and cost reporting procedures. We also evaluated the effectiveness of the current reimbursement process mandated by the *Code* and researched alternative reimbursement processes.

As a result, we identified certain findings and recommendations relating to the Juvenile Fund which should be considered by the Governor, members of the General Assembly and DHS. While some of our findings result from testing at specific Centers, we believe DHS should consider these findings and recommendations to help improve distributions from the Juvenile Fund.

FINDING A - Allocation based on total cost

The *Code*, as currently written, rewards expenditures rather than services provided or efficiency because it reimburses Centers based on their submissions of the "total cost of the establishment, improvements, operation, and maintenance of the home."

Recommendation - DHS should work with members of the General Assembly to amend the language found in the *Code* for allocations from the Juvenile Fund to provide a more equitable distribution of funds based on services rendered rather than costs incurred. Officials should consider using bed days as the primary allocation basis for the Juvenile Fund rather than the current cost basis. To allocate the Juvenile Fund to Centers based on bed days within the

A Review of the Juvenile Detention Home Fund

parameters of the *Code*, DHS must ensure the allocations to each Center are between 10% and 50% of the Center's total eligible costs. Therefore, DHS will need to develop appropriate controls to identify eligible costs incurred by the Centers. Possible methods of gathering accurate cost information include development of a standardized annual cost report each Center must complete which clearly defines each eligible cost and which is certified during the annual audit, or requirement of a schedule within the Centers' annual audit reports.

If DHS and the General Assembly decide to distribute Juvenile Funds based primarily on bed days, adequate procedures will need to be established to ensure the data collected on bed days is accurate.

CJJP currently collects bed days information from the Centers and records the information in a central database. CJJP stated it relies on the Centers to accurately report bed days. CJJP controls are limited to spot-checking files based on database searches for anomalies. DHS would need to develop controls or testing procedures to ensure Centers were accurately reporting bed days. Comparing juvenile courts sentencing records to the number of bed days reported by Centers is a possible testing methodology. However, the CJJP representative we spoke with stated the Iowa Courts Online system cannot be linked to the Centers' reporting system.

Accuracy of bed days reported would be paramount for the success of using the number of bed days as the primary basis to calculate allocations from the Juvenile Fund. As a result, DHS should consider requiring Centers' CPA firms to certify the number of bed days reported as part of their annual audit to ensure bed days are properly tracked and recorded, if this allocation methodology is used.

FINDING B – Matching funding to program goals

DHS officials stated current youth service goals are to provide less juvenile detention and more non-detention youth services, such as in-home detention, to aid in keeping at-risk youth from juvenile detention. According to the DHS officials we spoke with, youth in juvenile detention are statistically more likely to be incarcerated as adults. As a result, continuing to contribute significant funding to detention centers rather than alternative services may result in inconsistency between funding and program goals.

Recommendation - As DHS officials consider the future administration of the Juvenile Fund and any potential changes to be made to the *Code* related to the Juvenile Fund, consideration should be given to how to ensure funding is consistent with youth service goals. DHS should also ensure the program is meeting the goals established by the General Assembly.

FINDING C – Inaccurate costs submitted

Several Centers submitted costs to DHS for Juvenile Fund reimbursement which included calculation errors or did not comply with the types of costs specified by the *Code*. Specifically, we identified the following which do not appear allowable.

- CIJDC claimed both construction costs and debt service on the construction costs which resulted in \$2,344,679.00 of costs claimed twice. If construction costs continue to be an allowable cost reimbursed from the Juvenile Fund, DHS must determine whether to allow construction costs in the year of occurrence or debt service in subsequent periods to fund the construction. Centers should not be allowed to claim both the construction costs and the costs associated with debt incurred for the construction.
- Dubuque claimed costs based on estimated time, salaries and benefits rather than actual costs incurred, which is not permissible according to the *Code*.

A Review of the Juvenile Detention Home Fund

- Multiple Centers claimed costs which were much higher than all other Centers' claims. DHS should not allow the costs without adequately ensuring the costs are reflective of juvenile detention costs only. Examples of such costs are listed in **Finding I**.
- North Iowa inaccurately classified cost offsets as revenues, effectively increasing its portion of the Juvenile Fund allocation. DHS must evaluate and understand the costs it approves to ensure the costs are accurately reported.

Recommendation - For future distributions, DHS should verify all costs submitted are allowable program costs. While a detailed comparison of each Center's costs to supporting documentation may not be feasible, DHS should consider the findings identified in this report and request corrections to all concerns identified. DHS should determine whether unallowable costs submitted in previous years should be addressed in some manner.

In preparing for future distributions, DHS should implement policies which specify allowable costs and require a standardized cost report to be submitted. DHS should also ensure adequate review is performed to verify costs submitted are permitted under the Juvenile Fund and consider requiring the cost report to be certified by the Center's independent auditors.

FINDING D – Construction cost reporting

Construction claims significantly impact the allocations to the other Centers in the year a construction claim is made. In addition, construction of additional detention facility space is allowable per the *Code*, but it is inconsistent with program goals of moving away from traditional juvenile detention to alternative methods outside of detention.

Currently, the *Code* does not require Centers to submit construction or improvement costs in a consistent manner. Some Centers submit their costs to DHS in the year the costs were incurred, while other Centers submit repayment costs for the debt service they incurred to fund construction. As summarized in **Finding C**, CIJDC claimed both costs in fiscal year 2009, resulting in a significant overage in the allocation to CIJDC in that distribution.

Recommendation - DHS and members of the General Assembly should consider whether capital improvement costs are consistent with current program goals and whether they should continue to be allowable in the future.

If construction costs remain an allowable cost under the Juvenile Fund, DHS should develop administrative procedures to address construction claims in the future. All Centers should submit construction costs in the same manner in order to ensure DHS does not reimburse the Center multiple times for the same costs.

In addition, DHS should consider developing a separate funding stream for construction related expenses to minimize the impact a construction claim has on the other Centers. The funding set aside for construction would be consistent each year and could roll over if not used.

DHS should also develop pre-approval procedures based on overall State needs and ensure the facility costs claimed will meet a need in the State, will be limited to costs for facilities consistent with the intent of the Juvenile Fund and facility amenities which are not beneficial for juvenile detention are not provided.

FINDING E - Reimbursed for costs not associated with Juvenile Detention

We identified costs associated with ineligible services, such as tracking, in-home detention, Intake Center services for non-juvenile detention subjects, unsupported overhead allocations and other minor services not associated with juvenile detention, which were submitted to DHS. Costs such as these should not be reimbursed and should be excluded from cost submissions to DHS for Juvenile Fund reimbursement.

A Review of the Juvenile Detention Home Fund

Recommendation - For the upcoming fiscal year 2010 distribution, DHS should require all Centers to support overhead allocation percentages with appropriate accounting records. In addition, DHS should ensure costs submitted for reimbursement do not include ineligible services to juveniles outside the Centers. Utilizing a formula to estimate a percentage of costs ineligible for Juvenile Fund reimbursement based on time sheets or client records may be necessary for Centers using Center staff to perform services not eligible for reimbursement through the Juvenile Fund if Centers do not maintain detailed records of staff time per program.

If DHS chooses to leave the current reimbursement structure in place, significant changes may be necessary to verify costs submitted are eligible for reimbursement from the Juvenile Fund, or DHS may need to clarify definitions of allowable costs. For example, several Centers stated they provide in-home services to juveniles. It is unclear whether Centers providing in-home services excluded costs associated with in-home services from DHS cost submissions.

FINDING F - Reimbursements for other State-funded services

Centers received reimbursements for costs associated with delivery of services for other state-funded services. School lunch program costs, juvenile courts costs, tracking costs and unrelated transportation costs are examples of costs improperly claimed and reimbursed through the Juvenile Fund.

Recommendation - DHS should amend the July 2009 memorandum, which stated DHS does not have the authority to deny cost submissions for costs reimbursed by other sources. DHS, as the administrator of the Juvenile Fund, has the authority to adopt IAC policies to further describe program requirements. DHS has the responsibility as administrator of the Juvenile Fund to deny payments of any costs already funded by other sources. DHS should ensure Centers are not benefiting from duplicate cost recoveries, which logically was not the intent of the General Assembly when the applicable *Code* section was developed.

All costs reimbursed by other sources should be deducted from total costs submitted to DHS for Juvenile Fund reimbursement. DHS should ensure the method of determining total costs removes costs reimbursed through other programs from submissions to DHS for Juvenile Fund reimbursement.

FINDING G - DHS monitoring of costs

DHS does not have adequate controls to ensure costs submitted for Juvenile Fund reimbursement are accurate or meet the limitations of the *Code*. DHS, as administrator of the Juvenile Fund, has responsibility for ensuring expenses submitted are allowable and accurate. DHS has not adequately defined "establishment, improvements, operation and maintenance" costs eligible for use in calculating reimbursements.

Recommendation - DHS should implement controls to ensure the basis of all future distributions is adequately supported and distributions are in accordance with *Code* requirements. Whether the basis of future reimbursements is bed days or DHS continues with the current cost reimbursement structure, additional controls are necessary to verify the basis of reimbursements is adequately supported.

DHS should develop procedures to ensure costs are accurate and allowable, including supporting documentation. Further, DHS should not rely on Centers to ensure accuracy of their own cost submissions. DHS will need to develop internal control procedures to verify the July 2009 memorandum providing clarification and reporting requirements is properly administered at the Centers.

In addition, DHS should adopt administrative rules which further define the types of costs established by the *Code* which are eligible for reimbursement from the Juvenile Fund.

A Review of the Juvenile Detention Home Fund

FINDING H - Unsupported costs submitted

Several Centers did not adequately support the costs submitted to DHS for reimbursement from the Juvenile Fund.

Recommendation - For the upcoming fiscal year 2010 distribution, even if legislative changes to the *Code* are planned but not yet implemented, DHS should verify all costs submitted represent allowable program costs and are supported by appropriate cost reports. Centers should not receive compensation for unsubstantiated costs.

If DHS chooses to leave the current reimbursement structure intact, DHS should require cost reports with adequate support to verify the accuracy and applicability of claimed costs for future Juvenile Fund distributions. These cost reports should be submitted on standardized forms which specify the costs permissible for the claim. The standardized forms submitted should be certified during the financial audit process.

DHS should also compare cost information between Centers and follow-up on costs which are significantly more than other Centers and request sufficient documentation to verify costs are reasonable and applicable.

FINDING I – Analytical evaluation of fiscal year 2009 costs

In response to inquiries from the Centers and as a result of the preliminary findings from our fieldwork, DHS increased reporting requirements and performed additional review procedures. After DHS' increased reviewing procedures were completed and certain revisions were made, DHS distributed Juvenile Fund allocations to the Centers for fiscal year 2009.

However, we subsequently identified costs submitted to DHS which do not appear reasonable. Examples of costs identified include:

- Custodial supplies – Several Centers claimed custodial supplies at costs ranging from \$102.53 to \$5,080.71. Although variances due to size and need exist, the variances between Centers is significant.
- Staff travel costs – CIJDC claimed staff travel costs of \$51,398.46. This cost is significantly more than any other Center's travel costs claimed for staff. Most other Centers claimed minimal or no staff travel costs.
- Vehicle costs – CIJDC claimed vehicle costs of \$66,200.92. As with staff travel costs, CIJDC's claim was significantly more than any other Center.
- Revenue offsets – Polk County was the only Center to reduce submitted costs by revenues received from non-member counties and by amounts received from DE. If DHS determines these revenues should be deducted from costs claimed, the other 9 Centers' costs should also be reduced appropriately. If this is not a required reduction, DHS should adjust Polk County's submission to remove the reductions and ensure equitable treatment of costs among the Centers.
- Contracted transportation and tracking costs – When we compared transportation and tracking revenues recorded in the Centers' financial statements to the related costs Centers reduced from amounts submitted to DHS, we calculated significant profit margins. It appears the calculated large profit margins are due to (1) Centers failing to remove all costs associated with the ineligible claims from their submission to DHS or (2) unreasonable billing rates, as all Centers are governmental, not-for-profit entities.
- Contracted transportation costs – We also determined South Iowa's financial statements

A Review of the Juvenile Detention Home Fund

included revenues for transportation services. However, the Center did not deduct a portion of transportation costs from its submission. Based on comparison of transportation revenues reported, South Iowa received significantly more transportation revenues than North Iowa, which provided slightly fewer bed days than South Iowa. However, North Iowa's revenues included ineligible transportation costs which North Iowa deducted from its claim. Given the significantly higher revenues South Iowa received to provide transportation compared to North Iowa, a Center providing similar bed days, additional follow-up should have been completed. DHS should not permit South Iowa to claim all its transportation costs without providing adequate documentation to confirm all transportation costs claimed are representative of transporting detained juveniles.

Recommendation - DHS should develop standardized forms for Centers to submit eligible costs and should review the submitted costs to ensure they appear reasonable and consistent with other relevant information. Costs which are clearly outside the average range when compared to other Centers should be scrutinized. DHS should follow up and perform additional procedures to ensure costs claimed are accurate and allowable. In addition, DHS should implement procedures to ensure all costs for ineligible activities were properly excluded from claims.

FINDING J - DIA license renewals

DIA did not recommend provisional licenses or suspend licenses despite repeat deficiencies at specific Centers. Although DIA representatives explained provisional licenses are only recommended in cases where the safety of the juveniles is at risk, the *Code* does not make this stipulation. Rather, section 232.142 of the *Code* states a Center shall not be approved unless it complies with minimum rules and standards adopted by DHS.

Recommendation - DIA and DHS should reevaluate use of provisional and suspended licenses as instruments to ensure Centers make program compliance a priority.

Juvenile Detention Home Fund

Staff

This review was performed by:

Annette K. Campbell, CPA, Director
Tina R. Stuart, Senior Auditor


Tamera S. Kusian, CPA
Deputy Auditor of State

**Juvenile Detention Home Fund
Administered By
The Department of Human Services**

Appendices

Appendix A

Juvenile Detention Home Fund

DHS Juvenile Home Detention Fund Distribution Summary

Juven. entention Facility Cost and Payment History 2003 - 2009
 Prepared by Jim Chesnik, Division of Child and Family Services
 281-6004

	A	B	C	D	E	F	G	H	I	J
1										
2										
3										
4										
5										
6		Detention facility costs for the years shown								
7	Detention Facility	Projected costs 2009	Amended Costs 2008	Paid 2009	Costs 2007	Paid 2008	Costs 2006	Paid 2007	Costs 2005	Paid 2006
8	Central Iowa Juvenile Det Ctr	\$2,844,415	\$7,150,871	\$1,256,741	\$2,366,137	\$504,764	\$1,386,556	\$287,761	\$1,352,159	\$330,112
9	Dubuque Detention Facility	\$146,671	\$386,096	\$67,855	\$387,783	\$82,725	\$197,651	\$41,020		
10	North Iowa Juvenile Detention	\$1,300,000	\$1,240,897	\$218,083	\$1,299,670	\$277,256	\$1,274,950	\$264,599	\$1,154,713	\$281,908
11	Northwest IA Youth Emerg Svcs	\$625,432	\$603,526	\$106,068	\$734,994	\$156,795	\$741,846	\$153,960	\$521,327	\$127,275
12	Polk County Youth Services	\$5,496,348	\$4,139,917	\$727,576	\$4,948,931	\$1,055,747	\$4,799,797	\$996,133	\$4,158,413	\$1,015,222
13	Scott County Juvenile Det Ctr	\$941,357	\$820,120	\$144,133	\$827,579	\$176,546	\$819,791	\$170,137	\$774,085	\$188,983
14	South IA Area Detention Svcs	\$1,889,329	\$1,902,983	\$334,443	\$1,801,496	\$384,310	\$1,865,863	\$387,235	\$1,749,845	\$427,202
15	SWI Juvenile Detention Center	\$1,111,000	\$1,092,637	\$192,027	\$1,033,185	\$220,408	\$1,040,353	\$215,911	\$1,006,551	\$245,736
16	Woodbury County Juv Center	\$1,255,285	\$1,394,770	\$245,126	\$1,389,466	\$296,412	\$1,125,841	\$233,653	\$1,104,467	\$269,641
17	Youth Services of Linn County	\$2,981,298	\$2,851,428	\$501,129	\$2,855,114	\$609,077	\$2,940,754	\$610,314	\$2,923,377	\$713,704
18	Totals	\$18,591,135	\$21,583,244	\$3,793,181	\$17,644,355	\$3,764,041	\$16,193,403	\$3,360,722	\$14,744,937	\$3,599,784
19	License reinstatement fees collected that SFY			\$3,793,181		\$3,863,355		\$4,201,322		\$4,252,023
20										
21										
22		Detention facility costs for the years shown								
23	Detention Facility	Costs 2004	Paid 2005	Costs 2003	Paid 2004	Costs 2002	Paid 2003	City location		
24	Central Iowa Juvenile Det Ctr	\$1,041,138	\$281,310	\$836,915	\$193,783	\$686,361	\$157,737	Eldora		
25	Dubuque Detention Facility							Dubuque		
26	North Iowa Juvenile Detention	\$1,333,320	\$360,257	\$1,198,387	\$277,480	\$1,207,758	\$277,562	Waterloo		
27	Northwest IA Youth Emerg Svcs	\$479,224	\$129,484	\$539,432	\$124,903	\$517,287	\$118,881	Cherokee		
28	Polk County Youth Services	\$3,665,645	\$990,440	\$4,322,192	\$1,000,781	\$4,094,565	\$940,996	Des Moines		
29	Scott County Juvenile Det Ctr	\$750,991	\$202,914	\$2,016,607	\$466,935	\$799,028	\$183,629	Davenport		
30	South IA Area Detention Svcs	\$2,026,344	\$547,508	\$1,863,872	\$431,570	\$1,723,562	\$396,102	Montrose		
31	SWI Juvenile Detention Center	\$922,253	\$249,188	\$868,188	\$201,024	\$857,335	\$197,029	Council Bluffs		
32	Woodbury County Juv Center	\$984,608	\$266,036	\$966,641	\$223,821	\$907,666	\$208,596	Sioux City		
33	Youth Services of Linn County	\$2,499,077	\$675,239	\$2,195,993	\$508,471	\$2,081,640	\$478,394	Cedar Rapids		
34	Totals	\$13,702,599	\$3,702,377	\$14,808,227	\$3,428,768	\$12,875,201	\$2,958,925			
35	License reinstatement fees collected that SFY		\$4,099,811		\$3,665,930		\$3,005,615			
36										
37	Notes:									
38	Rows 19 and 35 include the totals of the license reinstatement fees collected during that state fiscal year.									
39	When the amount collected differs from the amount paid, that indicates that collections also paid for other programs or the Legislature identified a specific amount to pay.									
40	Throughout the table, the grouped adjoining cells (either highlighted or clear) go together for a single state fiscal year. For example, 'Costs 2007' were 'Paid 2008' at the conclusion of SFY 2008.									
41	Likewise, 'Costs 2008' will be 'Paid 2009' at the conclusion of SFY 2009, and so on.									
42	The blacked out lines for Dubuque mean that facility was not licensed during those years.									
43										

Juvenile Detention Home Fund

Operating Requirements Established by Iowa Administrative Code Section 441-105

Juvenile Detention Fund
Iowa Administrative Code
Section 441 Categories

Category	IAC Section
Buildings and grounds	441-105.2(232)
Personnel policies	441-105.3(232)
Procedural manual	441-105.4(232)
Staff	441-105.5(232)
Intake procedures	441-105.6(232)
Assessments	441-105.7(232)
Program services	441-105.8(232)
Medication management and administration	441-105.9(232)
Control room – juvenile detention home only	441-105.10(232)
Clothing	441-105.11(232)
Staffings	441-105.12(232)
Child abuse	441-105.13(232)
Daily log	441-105.14(232)
Children's rights	441-105.15(232)
Discipline	441-105.16(232)
Case files	441-105.17(232)
Discharge	441-105.18(232)
Approval	441-105.19(232)
Provisional approval	441-105.20(232)
Mechanical restraint - juvenile detention only	441-105.21(232)
Chemical restraint	441-105.22(232)

Juvenile Detention Home Fund

DHS Memorandum to Juvenile Detention Centers



STATE OF IOWA

CHESTER J. CULVER, GOVERNOR
PATTY JUDGE, LT. GOVERNOR

DEPARTMENT OF HUMAN SERVICES
CHARLES J. KROGMEIER, DIRECTOR

Memorandum
Division of Child and Family Services

To: Peg Pangborn, President of the Iowa Juvenile Detention Association
Iowa Juvenile Detention Association members
Scott Musel, Division of Criminal and Juvenile Justice Planning, Iowa
Department of Human Rights

From: Mary Nelson, Division Administrator

Date: July 2009

Subject: Clarification guidelines for the Juvenile Detention Home Fund Reimbursement
Program, Iowa Code 232.142

The Juvenile Detention Home Fund is established in Iowa Code section 232.142 and it provides to eligible Iowa juvenile detention facilities annual financial "Aid paid by the state [that] shall be at least ten percent and not more than fifty percent of the total cost of the establishment, improvements, operation, and maintenance of the [juvenile detention] home."

This aid is provided in the form of a reimbursement for a pro-rated portion of eligible costs. The Department of Human Services (Department or DHS) is the state agency responsible for processing the reimbursements, and costs and claim vouchers are submitted to the DHS annually by each eligible facility.

Near the end of calendar year 2008, the Iowa state auditor notified the Department of its audit findings at two of Iowa's eleven licensed juvenile detention facilities. These findings raised questions about the eligibility of certain costs that were being submitted for reimbursement. The Department learned more about this after subsequent discussions with the auditor's office, Departmental staff, the Attorney General's office, and the juvenile detention association at its request. As a result, the Department has put together these guidelines.

The guidelines are intended to facilitate a common understanding of this program and provide direction so all parties involved implement the reimbursement program consistently. The guidelines are designed to eliminate any misconceptions and bring clarity to the reporting of allowable costs.

The guidelines that follow are based on the current statute, Iowa Code section 232.142.

Juvenile Detention Home Fund

DHS Memorandum to Juvenile Detention Centers

Page 2 of 3
Juvenile Detention Home Fund Reimbursement Guidelines, July 2009

1. Who is eligible for the juvenile detention reimbursement?

Per Iowa Code section 232.142: “A county or multicounty juvenile detention home approved pursuant to this section shall receive financial aid from the state in a manner approved by the director [of the Department of Human Services].”

“Approved” juvenile detention “homes” are those determined by the Department of Human Services to be in compliance with standards found in 441 Iowa Administrative Code 105 (Licensing And Approved Standards, Chapter 105, County And Multicounty Juvenile Detention Homes And County And Multicounty Juvenile Shelter Care Homes).

Approved facilities may claim reimbursement for eligible costs accrued between the date of the Certificate of Approval through the end of the respective fiscal year, and then for each subsequent fiscal year the facility remains eligible.

2. What costs are eligible for the reimbursement payment by the state?

Per Iowa Code, “at least ten percent and not more than fifty percent of the total cost of the establishment, improvements, operation, and maintenance of the [approved detention facility].” Eligible costs are limited to those that are directly attributable to the function of detaining youth in the approved facility; fundamentally, this is from the point of intake through the discharge from the detention facility.

Ineligible costs are not reimbursable.

3. What about facilities that offer other “extended,” “optional,” or “alternative” services? Are those eligible costs?

Detailed information about how these services might relate to the detention of youth would be needed to make a definitive determination. It’s unlikely they would be eligible because this reimbursement program was created to focus on the costs related to the detention of youth in an approved detention facility. “Extended,” “optional,” or “alternative” services are not included in the statute.

Examples of other services identified by the state auditor or juvenile detention facilities that are generally not eligible include transportation, tracking, monitoring, outreach services, or in-home detention. These are not eligible unless costs relate directly to the detention of youth in the approved facility. For example, transportation of a child who is in detention to a court hearing would be an eligible service. Transportation of a child who is not in detention (but perhaps is being monitored in the community as an alternative to detention) is not an eligible service.

The Department acknowledges and supports recent trends to serve youth in ways other than detention. However, the current statute does not authorize the reimbursement of anything other than costs related to detaining youth. In order for this authority to be expanded, a Code change would be required.

Juvenile Detention Home Fund

DHS Memorandum to Juvenile Detention Centers

Page 3 of 3
Juvenile Detention Home Fund Reimbursement Guidelines, July 2009

4. What must be submitted when reimbursement claims are made?

By the date identified each year by the Department (usually in June or July), all participating facilities should submit to the Department the following:

- a. A completed Departmental GAX form (claim voucher) that shows the total eligible costs that were incurred between July 1 and June 30 of the fiscal year prior to when the GAX is submitted. For example, the GAX form submitted in June or July 2009 will include the eligible costs incurred between July 1, 2007 and June 30, 2008. The GAX form must be signed in an ink color other than black.
- b. A ledger expense sheet(s) providing line item detail supporting the total shown on the GAX form. This ledger expense sheet should identify costs that are also paid by another funding source, along with the identity of the funding source.
- c. A hard copy or electronic copy of the facility's audit report covering the period to be reimbursed, or a hypertext link to access the audit report online.

5. Can costs that are otherwise eligible, but paid by another source, also be claimed for reimbursement from the Juvenile Detention Home Fund?

The state auditor and the juvenile detention association have informed the Department regarding examples of costs that are generally paid through other contractual agreements.

The statute regarding reimbursement says the state shall pay from 10 – 50% of the total eligible costs of the home. In recent years, actual reimbursement has been approximately 20+ %. The current statute makes no distinction about whether the total costs submitted may or may not have another funding source. Therefore, it does not prohibit a facility from submitting eligible costs that may have another funding source (e.g., contracts with DHS or Juvenile Court Services).

However, if the Department were aware that eligible costs being claimed for reimbursement were also funded by another source -- possibly resulting in a double payment -- it would be incumbent on the Department to notify the other funding source so that appropriate conditions related to the funding source could be applied. Other statutes, state or federal guidelines, or contract requirements may prohibit this practice. It would be up to the other funding entity to determine whether to seek recovery of funds for activities for which the facility has been reimbursed from the Juvenile Detention Home Fund.

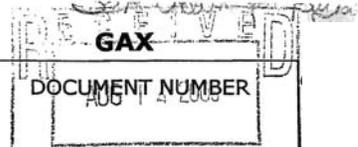
Cc: Iowa State Auditor
Iowa State Association of Counties

Juvenile Detention Home Fund

Copy of Example General Accounting Expenditure (GAX) Form

Attach supporting documentation to the back of this form

STATE OF IOWA



BUDGET FY 08'09		GENERAL ACCOUNTING EXPENDITURE				DOCUMENT NUMBER											
		DATE		ACCTG PERIOD (MM/YY)													
VENDOR CODE 42600522112				AGENCY NAME Department of Human Services													
VENDOR NAME AND ADDRESS Woodbury County Juvenile Detention Center 822 Douglas Street - 4 th Floor Sioux City, Iowa 51101				BILL TO ADDRESS (ORDERING AGENCY) Department of Human Services		SHIP TO ADDRESS											
TERMS		FOB		ORDER APPROVED BY <i>Julie A. Allison</i>		GOODS RECEIVED/SERVICES PERFORMED											
				VENDOR'S INVOICE NUMBER		DATE INITIALS											
QUANTITY		VENDOR'S INVOICE DATE															
ORDERED	RECEIVED	UNIT OF MEASURE	DESCRIPTION			UNIT PRICE	TOTAL PRICE										
			Reimbursement from the Juvenile Detention Home Fund for eligible costs in SFY 2008. The total of the eligible costs is \$1,406,922.00 -\$12,152.00 -Emergency Services \$1,394,770.00 Total <i>076 = 237,956.39</i> <i>80</i>														
EFT IND		YES <input type="checkbox"/> NO <input type="checkbox"/>		Contract Number: Reference Number: Paid Date:		#237,956.39											
CLAIMANT'S CERTIFICATION						DOCUMENT TOTAL											
I CERTIFY THAT THE ITEMS FOR WHICH PAYMENT IS CLAIMED WERE FURNISHED FOR STATE BUSINESS UNDER THE AUTHORITY OF THE LAW AND THAT THE CHARGES ARE REASONABLE, PROPER, AND CORRECT, AND NO PART OF THIS CLAIM HAS BEEN PAID. DATE: July 11, 2008 TITLE: Director CLAIMANT'S SIGNATURE: <i>[Signature]</i>						\$0.00											
AGENCY CERTIFICATION																	
I CERTIFY THAT THE ABOVE EXPENSES WERE INCURRED AND THE AMOUNTS ARE CORRECT AND SHOULD BE PAID FROM THE FUNDS APPROPRIATED BY: CODE OR CHAPTER SECTION(S)						AUTHORIZED SIGNATURE:											
THE FOLLOWING FIELDS ARE FOR STATE ACCOUNTING USE ONLY																	
LINE	FUND	AGCY	ORGN	SUB ORGN	ACTV	RSRC	SUB RSRC	FUNC	OBJT	SUB OBJT	JOB NUMBER	REP CAT	QUANTITY / UNITS	I / D	DESCRIPTION	AMOUNT	I P / / D F
01	0001	413	F005						4124								
02																	
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GAX (Rev. 2/05)

WARRANT #

AUDITED BY

[Signature Box]

PAID DATE

DOCUMENT TOTAL #237,956.39 \$0.00

Appendix E

Juvenile Detention Home Fund

Criminal and Juvenile Justice Planning Calculation of Total Bed Days per Center

FACILITY	LOCATION	SFY04	SFY05	SFY06	SFY07	SFY08	% Change from SFY04 to SFY08
North Iowa Juvenile Detention Center	Waterloo	6,861	6,029	8,877	8,369	6,184	-9.87%
Dubuque County Juvenile Detention Center ¹	Dubuque	0	0	316	1,082	1,655	N/A
Central Iowa Juvenile Detention Center	Eldora	4,504	4,012	4,615	4,657	4,753	5.53%
Woodbury County Juvenile Detention Center	Sioux City	4,134	6,028	6,013	5,430	5,586	35.12%
Northwest Iowa YES Center	Cherokee	2,511	2,575	3,342	3,347	2,564	2.11%
Southwest Iowa Juvenile Detention Center	Council Bluffs	5,571	4,782	5,075	4,007	4,066	-27.01%
Polk County Juvenile Detention Center	Des Moines	15,001	12,052	13,312	11,132	8,413	-43.92%
South Iowa Area Detention Service - Lucas County ²	Chariton	3,906	3,136	3,780	3,907	2,765	-29.21%
Linn County Juvenile Detention Center	Cedar Rapids	10,330	8,734	8,933	7,999	7,564	-26.78%
Scott County Juvenile Detention Center	Davenport	3,727	3,950	4,394	3,925	3,843	3.11%
South Iowa Area Detention Service - Lee County	Montrose	3,400	3,722	4,323	4,078	3,895	14.56%
STATE TOTAL		59,945	55,020	62,980	57,933	51,288	

¹ Opened during State Fiscal Year 2006² Closed December 2008, State Fiscal Year 2009