



State of Ohio
Office of the Inspector General

THOMAS P. CHARLES, Inspector General

REPORT OF INVESTIGATION

FILE ID NUMBER: 2007063

AGENCY: Governor's Office of Faith-Based and
Community Initiatives

BASIS FOR INVESTIGATION: Inspector General Initiative

ALLEGATION: Contract Steering/Fraud

DATE INITIATED: March 8, 2007

DATE OF REPORT: September 12, 2007

EXECUTIVE SUMMARY

The Office of Inspector General (“OIG”) received information indicating that there may have been contract irregularities involving the contract We Care America (“WCA”) had with the Governor’s Office of Faith-Based and Community Initiatives (“GOFBCI”). As a result, the OIG opened an investigation. The OIG reviewed records and conducted several interviews during the course of the investigation. The OIG also requested that the Ohio Department of Job and Family Services (“ODJFS”) Chief Inspector’s Office conduct an audit of the WCA contract, since ODJFS is the designated fiscal agent for GOFBCI.

As a result of our investigation, we determined that GOFBCI followed the proper procedures to secure their contract with WCA. We found no evidence to indicate that the selection of WCA was the result of political pressure or other improper influences.

We found that GOFBCI and ODJFS should have exercised more due diligence in monitoring WCA activities and in processing WCA’s invoices to ensure that WCA had actually provided the equipment and services they were billing to GOFBCI. Consequently, the ODJFS Chief Inspector’s audit revealed discrepancies in the WCA invoices that resulted in findings for recovery totaling \$125,622.35, and an additional \$485,094.95 in other “questioned costs.”

Our investigation found acts of omission occurred when GOFBCI and ODJFS failed to exercise proper due diligence in monitoring the WCA contract, and when contract management training was not provided to their employees.

We have offered two recommendations to GOFBCI and ODJFS and requested they respond to this office within sixty days with a plan of action as to how these recommendations will be implemented.

A copy of this investigation has been provided to the Ohio Attorney General's Office so that that office may initiate any civil recovery efforts they deem appropriate. Finally, based upon the recommendations in the ODJFS audit, we are forwarding a copy of this report to the United States Health and Human Services Office of Inspector General.

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 A Case Study*

I. BASIS FOR INVESTIGATION

The Office of Inspector General (“OIG”) received information indicating potential fraud, waste, or abuse may have occurred during the bidding for, and awarding of, a state contract between the Governor’s Office of Faith-Based and Community Initiatives (“GOFBCI”) and We Care America (“WCA”). Likewise, we received information that WCA had not fulfilled the terms of its contract and had abandoned its Ohio office without accounting for its expenditures or property.

II. ACTION TAKEN IN FURTHERANCE OF INVESTIGATION

Records were obtained and reviewed from the Governor’s Office of Faith-Based and Community Initiatives, the Ohio Department of Job and Family Services (“ODJFS”), and the Department of Administrative Services (“DAS”). We also conducted several interviews. Since ODJFS served as the fiscal agent for GOFBCI, the OIG requested that ODJFS’ Chief Inspector conduct an audit of the invoices, expenses, and deliverables related to the contract GOFBCI had with WCA.

III. DISCUSSION

Background

In January of 2001, President George W. Bush signed an executive order establishing the White House Office of Faith-Based and Community Initiatives. As a result, Ohio became interested in creating a similar office on the state level that would marshal the assets known as Ohio’s faith-based resources. Subsequently, State Representative John White introduced H.B. 175 in the 124th Ohio General Assembly, which set up the Task Force on Nonprofit, Faith-Based, and other Nonprofit Organizations. The bill passed into law in June 2001. In September 2002, the Task Force submitted its final report, which recommended the establishment of the Governor’s Office of Faith-Based and Community Initiatives. Consequently, H.B. 95 was introduced and passed by the Ohio Legislature in

July 2003, and GOFBCI was created. The bill also provided for an Advisory Board¹ to give direction, guidance, and oversight to the new agency. In October 2003, Governor Taft selected Krista Sisterhen as the first director of the new agency. After her appointment, GOFBCI was charged with pursuing programming to address three primary social issues:

1. Ex-criminal offenders and their families,
2. Vulnerable youth, ages 16 to 20, coming out of foster care or incarceration, and
3. Strengthening marriages and preventing out-of-wedlock births.

Staffing for the agency consisted of GOFBCI employees, as well as employees on loan from ODJFS and the Ohio Department of Rehabilitation and Correction.

In order to accomplish its newly established priority programs, GOFBCI launched two major initiatives involving different funding sources. GOFBCI initially received \$625,000.00 from a federal Temporary Assistance for Needy Families Title 20 (“TANF”) grant for fiscal years 2004 and 2005. GOFBCI was again awarded \$625,000.00 for fiscal years 2006 and 2007, but the funding source changed from federal TANF dollars to state general revenue funds.

GOFBCI applied for, and was awarded, a \$1,000,000 grant from the United States Department of Health and Human Services to fund the Ohio Compassion Capital Program. The intent of the Ohio Compassion Capital Program is to help faith-based and community organizations develop and establish themselves as places of service within their local community. The grant intended for \$500,000 to be set aside for local faith-based groups to develop the capacity to apply for and administer grants. The remaining

¹The Advisory Board consists of one representative appointed by each agency director from the Departments of Aging, Alcohol and Drug Addiction Services, Rehabilitation and Correction, Health, Job and Family Services, Mental Health and Youth Services. Additionally, the Speaker of the House appoints two members, one from each party. The Senate President appoints two members, one from each party. The Governor, Speaker of the House and President of the Senate each appoint three representatives from the faith-based non-profit community.

\$500,000 was to be distributed to local faith-based organizations as financial support for their respective programs.

Additionally, on August 2, 2005, Governor Taft signed Executive Order 2005-11T. The Executive Order authorized ODJFS to reimburse TANF allowable expenses on behalf of GOFBCI for projects that are a part of the Ohio Strengthening Families Initiative (“OSFI”). The order allowed up to 11 million dollars each for fiscal years 2006 and 2007.

Due to the amount of federal TANF money approved for GOFBCI initiatives, ODJFS was designated as both the pass-through agency for federal funding, and functioned as the fiscal agent to ensure compliance with all federal TANF requirements.

Allegation: We Care America inappropriately billed for equipment and overhead costs, and failed to provide services under the terms of its contract.

Background

We Care America Inc. was a non-profit organization previously based in Northern Virginia. WCA was founded in 2001 by Dave Donaldson, former national director of Pat Robertson’s “Operation Blessing” relief organization. WCA flourished by receiving grants from federal, state, and private entities to support various local faith-based groups in several states. Private citizens were also able to donate to WCA’s good works. However, as its initial grant awards became depleted and applications for new grant awards were rejected, WCA’s fortunes began to turn.² The beginning of the end for WCA occurred in March 2007, when the Ohio Department of Administrative Services

²In a 2006 column titled “Religion und Gesellschaft,” the Freie Universitat Berlin recorded an interview with WCA Director Brandon Lerch and WCA Vice President Pam Prior. The WCA representatives hinted in the interview that funding was a continual problem for the organization, stating, “We always have to raise money to fund our work.” They further related that “We Care America is a private non-governmental organization. It finances itself by government grants and private donations. Mostly we receive governments [*sic*] grants to pass them on to faith-based groups and keep only part of it to fund our work.”

cancelled the WCA contract on behalf of GOFBCI. As best we are able to determine, by this time, the Ohio grants were some of the last viable sources of funding for WCA. Subsequently, on June 19, 2007, WCA filed a voluntary petition for bankruptcy protection with the U.S. Bankruptcy Court for the Eastern District of Virginia in Alexandria.

We Care America Contract

With the anticipated infusion of federal TANF funds for the Ohio Strengthening Families Initiative, GOFBCI leadership decided to seek a contract with an outside entity to administer and support the implementation of the initiative. As a result, GOFBCI and ODJFS approached DAS personnel, requesting they develop a Request for Proposals (“RFP”) from prospective vendors. ODJFS, as fiscal agent, could have developed the RFP. However, DAS has the right of first refusal to develop state RFP’s, and both GOFBCI and ODJFS believed it would be quicker and generally easier to win the approval of the State Controlling Board if DAS developed the RFP.

On August 17, 2005, DAS published RFP No. CSP902206. Seven bid proposals were received by DAS and subsequently submitted to a contract selection committee for review and scoring.³ On August 25, 2005, the selection committee convened to review the bid proposals. Four of the bid proposals were disqualified by the committee because they did not meet all of the mandatory requirements set forth in the RFP. The three remaining bid proposals were reviewed by the committee, and WCA was scored the highest. (See Exhibit A.)

As a result, DAS awarded a contract to WCA which was effective from September 20, 2005 to June 30, 2006. The cost of the contract was not to exceed \$772,284.40 the first year, and \$926,740.64 the second year. Subsequently, on March 17, 2006, an amendment to the contract was approved by DAS to increase the total contract amount by

³The selection committee comprised GOFBCI Director Sisterhen, one DAS representative, and three ODJFS representatives. The committee utilized the DAS developed “Quality Point Factor” to arrive at a “Value to Point Score” to select the winning bidder.

\$472,502.00, for a new total not to exceed \$2,171,529.04 over the two-year term of the contract. The listed purpose of the amendment was to increase the quantity of work, and to shift some of the work from the second year to the first year of the contract. (See Exhibit B.)

The WCA contract included the following specific objectives:

1. Routinely communicate with, produce and deliver reports, and provide face-to-face presentations and formal briefings to GOFBCI and OSFI representatives for project planning and status updates.
2. Engage in strategic planning with GOFBCI for OSFI and integration with the Ohio Compassion Capital Program (“OCCP”).
3. Develop and implement strategies to strengthen current training, technical assistance, and sub-award components of the OCCP.
4. Produce an OSFI work plan for each of the OSFI components, include evidence-based models, and facilitate training on evidence-based models to Faith-Based Community Organizations (“FBCO’s”).
5. Develop communication strategies and implement strategies and plans for OSFI integrated with OCCP that clearly articulate the public value of OSFI and encourage both voluntary and contractual partnerships between FBCO’s and government entities.
6. Develop scope of work, deliverables, qualifications and selection criteria components for OSFI RFP’s and provide information settings, such as bidders or best practice conferences. Provide accountability management and compliance management functions. Provide training and technical assistance to OSFI grantees to support goals of their respective demonstration grants.
7. Assist FBCO’s and GOFBCI to identify and successfully compete for new funding.
8. Coordinate strategic planning with appropriate GOFBCI representatives.

After WCA was selected as the winning bidder, Director Sisterhen chose Susan E. McKinley, an ODJFS employee on loan to GOFBCI, as the WCA project executive. Ms. McKinley was involved in monitoring and processing all of WCA’s invoices prior to their being forwarded to ODJFS for payment. When interviewed, Ms. McKinley stated

that “For the most part they [WCA] did very well. However, towards the end I was not very pleased with their performance.” She said that she started to question some invoices and thought the way WCA itemized and invoiced for overhead costs was “somewhat unorthodox, but probably not improper.”

ODJFS had been distributing the Compassion Capital funds they had received from the U.S. Health and Human Services Grant to the local faith-based recipients, but the process was found to be inherently slow. As a result, GOFBCI and ODJFS entered into a second contract with WCA to assist with the distribution of the grant money. WCA agreed to distribute the money to the local groups at no cost to GOFBCI. However, Ms. McKinley said in her interview that she discovered WCA was attempting to charge GOFBCI a 15% overhead fee on each check they distributed. She stated, “I refused to approve the payment of the overhead charges.”

ODJFS Chief Inspector’s Audit

Shortly after his February, 2007, appointment to the position of GOFBCI Director, Eric McFadden noticed what appeared to be some questionable instances relating to the WCA contract and payments to that organization. For instance, he noticed after reviewing GOFBCI records that WCA received overpayments, duplicate payments, payments of late fees and past due charges, overhead fees for the rental of office space and parking spots for WCA’s Columbus Office, and payments for meals that appeared to be outside the scope of the contract. As a result of these apparent questionable payments made pursuant to the contract, we requested that the ODJFS Chief Inspector’s Office conduct an audit of the WCA contracts, invoices, and payments. The ODJFS Chief Inspector was provided a list of the questionable transactions prepared by Director McFadden.

On September 5, 2007, ODJFS’ Chief Inspector’s Office completed its audit of WCA’s contracts and provided the OIG with a copy of the internal audit report. The audit contained the following significant findings for recovery:

Ohio Strengthening Families Initiative

Video conferencing project utilizing two-way big-screen televisions that were purchased, but were never operational.	\$111,969.85
Overpayment of rent for WCA office space.	\$ 892.50

Compassion Capital

Overpayments to WCA from ODJFS.	\$ 3,560.00
Un-refunded advance to WCA for rescinded grant	\$ 9,200.00

Total Findings for Recovery \$125,622.35

In addition, the audit report identified \$485,094.95 in expenditures that were considered “questioned costs” due to inadequate or missing documentation and unclear contract language relating to overhead charges, consulting fees, and an underpayment to one grantee. Even though these questioned costs could not be included in the findings for recovery due to inadequate documentation or contractual ambiguities, we believe these questioned costs should be further reviewed and additional recovery sought, if deemed appropriate.

The complete text of the ODJFS Chief Inspector’s Audit is attached.⁴ (See Exhibit C.)

The Baylor University Case Study

Of the questionable expenditures uncovered, the Baylor University Institute for Studies of Religion GOFBCI Case Study Report deserves specific mention. (See Exhibit D.)

WCA contracted with William H. Wubbenhorst, a management consultant with ORC Marco International, to provide an overview of GOFBCI since its inception. Mr. Wubbenhorst partnered with Professor Bryan R. Johnson, who is affiliated with the

⁴According to individuals involved in the audit, in its bankruptcy petition, WCA claims the state of Ohio as a debtor, rather than a creditor.

Baylor Institute for Studies of Religion at Baylor University. The result of this collaboration was the *Ohio Governor's Office of Faith-Based and Community Initiatives: A Case Study*, published in January, 2007. The 20-page case study documents the creation and activities of Ohio's GOFBCI. The cover of the report depicts an academic building and directs any inquiries to the Baylor University Office of Public Relations, along with a Baylor University web-site, as the contact point. However, the resulting report reads more like an infomercial for GOFBCI and WCA, rather than the independent academic case study it purports to be. When interviewed, Ms. Sisterhen said that the draft copy of the Baylor case study she read contained a disclosure statement revealing that GOFBCI had actually paid for the study. However, there is no mention in the final published edition that the case study was actually paid for by GOFBCI, through WCA, at a cost of \$6,250.00. We are in no position to judge the academic integrity of not disclosing that the case study was paid for by the entity being studied and utilized to enhance national exposure for WCA and showcase GOFBCI. However, even a casual observer would find the case study's staging and marketing to be disingenuous.

Findings

We found no evidence of impropriety in the process GOFBCI and DAS used to award WCA a contract. However, we did find that GOFBCI and ODJFS lacked proper oversight of the WCA contract by failing to follow internal contract management policies. Additionally, ODJFS and GOFBCI failed to provide comprehensive contract management training to the GOFBCI and ODJFS employees who monitored the contract, which we believe would have enhanced their ability to oversee WCA's contract performance and compliance.

Accordingly, we find reasonable cause to believe acts of omission occurred in this instance.

IV. CONCLUSION

As a result of our investigation, we found that GOFBCI followed the proper procedures to secure their contract with WCA. DAS was involved in preparing the RFP, scoring the proposals, and selecting the vendor. We found no evidence to indicate that the selection of WCA was the result of any political pressure, or other improper influence.

However, we did find that GOFBCI and ODJFS should have exercised more due diligence in monitoring WCA's activities, and in processing WCA's invoices for payment, to ensure that WCA had actually provided the services for which they were billing. As a consequence, the ODJFS Chief Inspector's Audit revealed discrepancies in the WCA invoices that resulted in findings for recovery totaling \$125,622.35, and \$485,094.95 in other questionable costs.

V. REFFERALS

As a result of the findings for recovery and other questioned costs detailed in the ODJFS internal audit, a copy of this investigation is being provided to the Ohio Attorney General's Office to initiate any civil recovery efforts they deem appropriate. Additionally, based upon the recommendations in the audit, we are forwarding a copy of this report to the United States Health and Human Services Office of Inspector General.

VI. RECOMMENDATIONS

Based upon the results of our investigation, we make the following recommendations and request GOFBCI respond to this office within the next 60 days with a plan of action as to how these recommendations will be implemented:

1. The GOFBCI and ODJFS should provide comprehensive contract management training to their employees so they can exercise proper due diligence when monitoring contracts and processing invoices from vendors.
2. GOFBCI and ODJFS should comply with the recommendations made in the ODJFS Chief Inspector's Audit and continue to pursue the recovery of the overpayments to WCA identified in the audit.