

Foster Care Cost Report Training



Susan Kesler

DHHS Office of the Controller



Agenda



- 1) Requirements & Process Overview**
- 2) The Audit**
- 3) The Cost Report**
- 4) Reconcile the Cost Report to the Audit**
- 5) Additional Documentation**
- 6) Best Practices**

Requirements & Process



- Agencies must qualify through the Division of Social Services
- Submit the following to the Office of the Controller no later than **March 16, 2026**:
 - Financial Audit (from a licensed, independent CPA or CPA firm)
 - **Completed, Reconciled & signed** Cost Report
 - Documentation of Child Care days
 - Supplemental Schedules/Reports (if necessary)
 - Completed review wrksht included with the cost report (recommended)
- **Cost Report reviewed by Office of the Controller**

Audit Requirements



- Audits must show both revenues and expenditures.
- Revenues must be broken out by fund type.
- Expenditures must show a separation between administrative costs and program costs.
- Administrative costs must also delineate between management and fund-raising costs.
- Program costs must be delineated by type as well as identify specific allowable foster care costs within each type.



The Audit: What is it ... really?

- **Audit** - the systematic inspection of accounting records involving analyses, tests & confirmations.¹
- **Auditor** – NCAC requires the auditor to be a Certified Public Accountant or Public Accounting Firm as defined by NCGS 93
- **Audit program** – procedures followed by the auditor in performing the audit. ¹
- **Financial Statements** – Balance Sheet, Income Statement, Statement of Cash Flows, Supporting Schedules, Notes
- **Auditor's Report** - includes a statement of the work done and an opinion of the financial statements. ¹
- A CPA who does not conduct an examination in accordance with GAAS can be held in violation of the AICPA's Code of Professional Ethics and face legal action by affected parties.

Cost Report Basics



- **Complete the report: no red fields**
- **Residential facility info on Schedule A-1 should match DSS/DHSR published detail**
- **Cost report is based on the audit**
 - This means the most currently completed audit that is currently in your hands.
- **Total expense on Schedule C must match audit**
- **Each expense on the cost report should match the corresponding expense type and program in the audit**

Cost Report Basics



- Child care days must be separated by service
- **Schedule C Anatomy: P-R-O-A-N**
 - Program Expense
 - Room & Board Expense
 - Other Costs
 - Administration
 - Non-Allowable Expense
- **Identify unallowable expenses; move to non-allowable section**

What Foster Care Funding Covers

☐ Foster Care Maintenance Payment

Payment to cover the cost of, and the cost of providing:

☐ Clothing

☐ Food

☐ Shelter

☐ Daily Supervision

☐ School supplies

☐ Personal Incidentals

☐ Liability Insurance

☐ Travel to the child's home for visitation

☐ Includes reasonable administration and operation for facility care

Non-Allowable Costs

- ❑ Medical and social services treatment or services
- ❑ Educational expenses other than basic school supplies
- ❑ Expenses **not directly related to providing room, board, supervision and necessary administration**, such as swimming pools, gymnasiums, chapels/churches, housing other than the residential facilities occupied by the children in care
- ❑ Gifts
- ❑ Food served at banquets, or training
- ❑ Recreation other than the occasional expense allowed in Personal Incidentals

Recreation is **NOT** an allowable item of expense, except where it clearly substitutes for **daily supervision** – [CWPM 8.3b.1 \(1\)d.](#)

A child's personal incidentals can include the reasonable and occasional cost of such items as tickets or other admission fees for sporting, entertainment or cultural events or dues for clubs. – CWPM 8.3B.1 (2)



Cost Report Basics



- **Schedule C Anatomy: P-R-O-A-N**
- **Identify unallowable expenses; move to non-allowable section**
- **Separate treatment from non-treatment**



Cost Report Basics



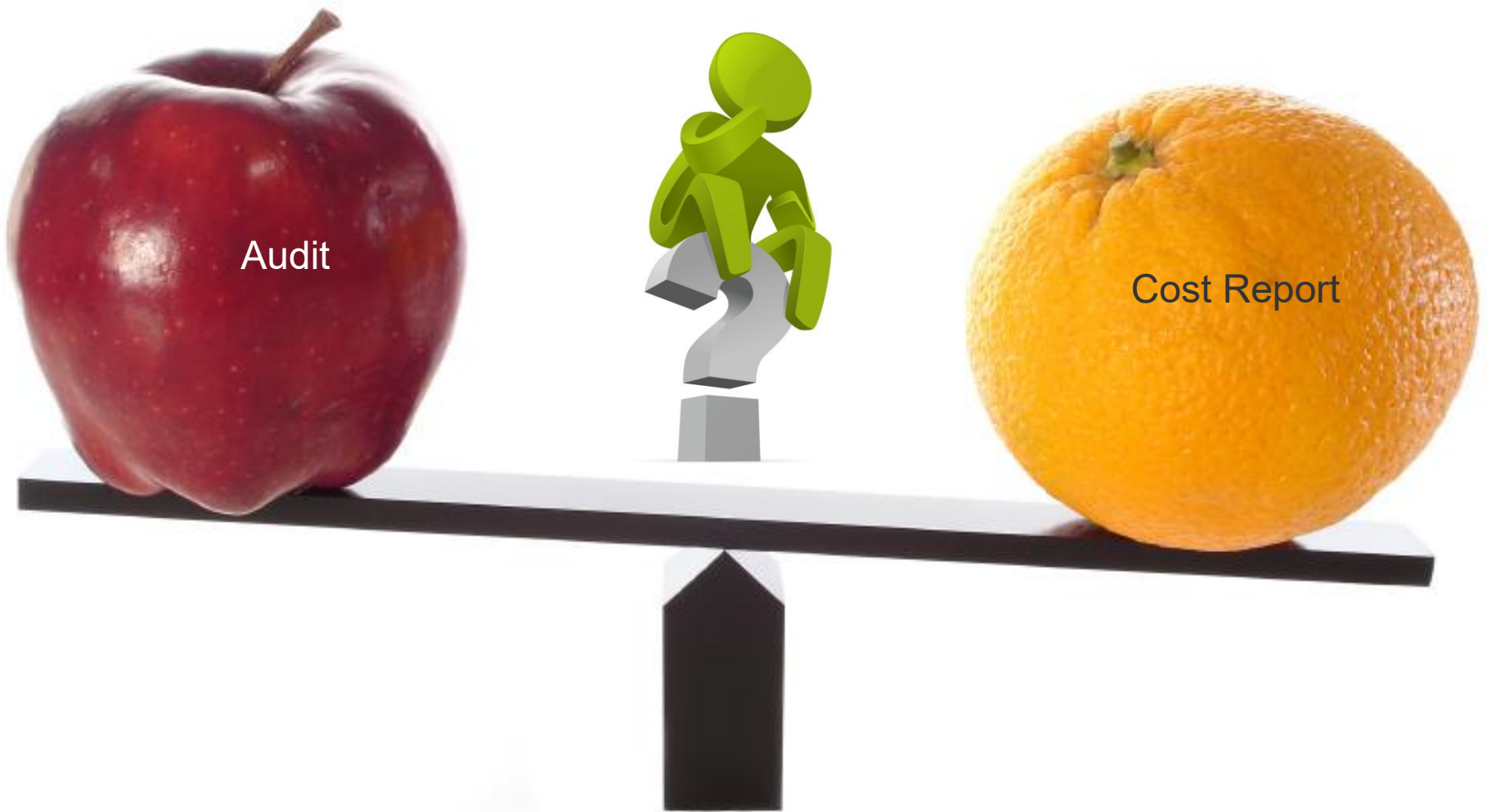
- **Schedule C Anatomy: P-R-O-A-N**
- **Identify unallowable expenses; move to non-allowable section**
- **Separate treatment from non-treatment**
- **Separate Admin and Fundraising Expenses from program costs**



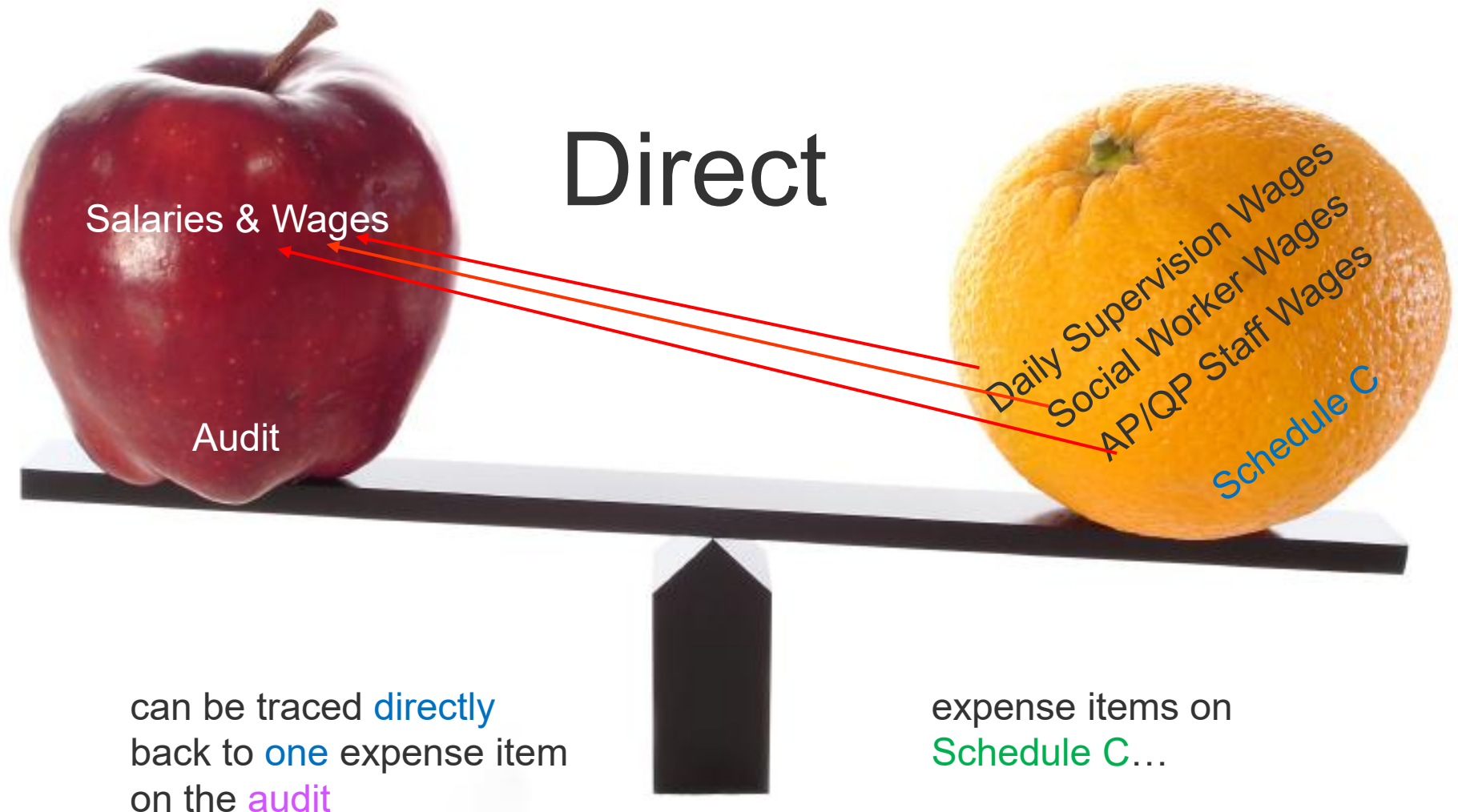
Terms for Cost Reporting

- Therapeutic vs. treatment or Foster Care?
- Medical necessity and Medicaid authorization for mental health service

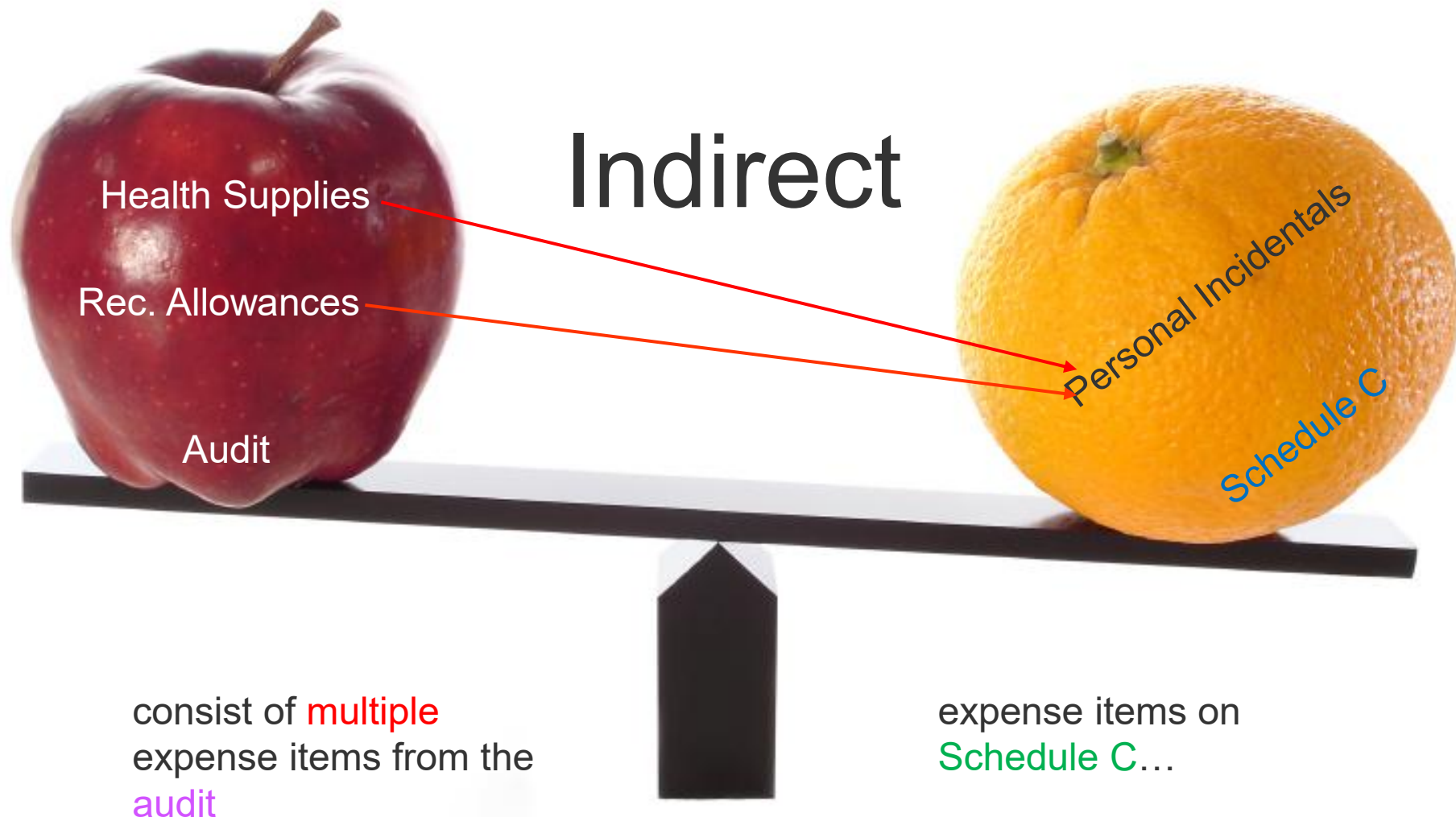
Reconcile the Cost Report



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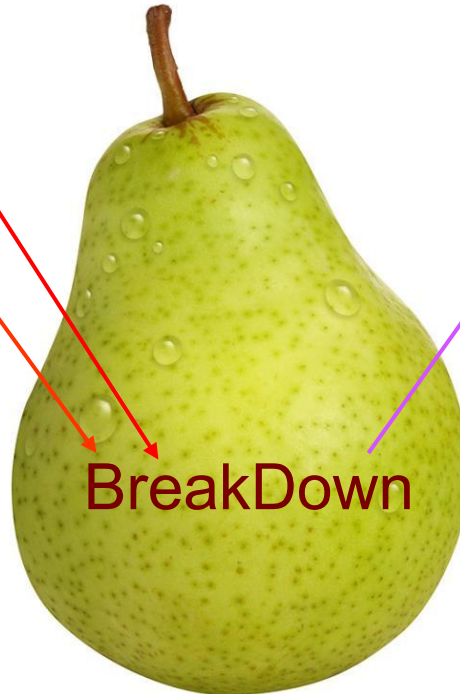
Reconcile the Cost Report

Indirect

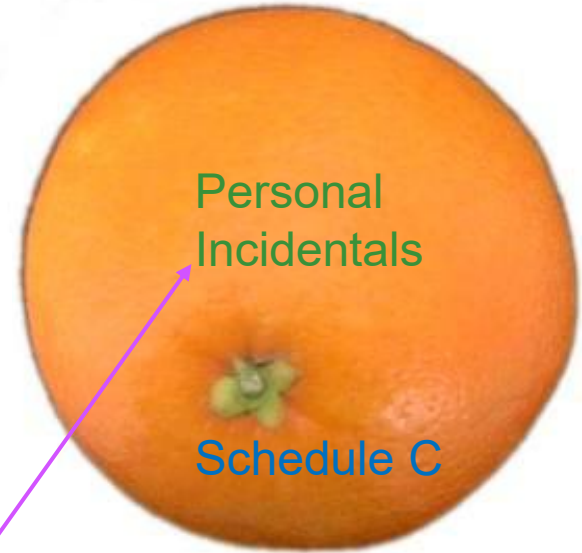


Health Supplies
Rec Allowances

consist of **multiple**
expense items from
the **audit**



BreakDown

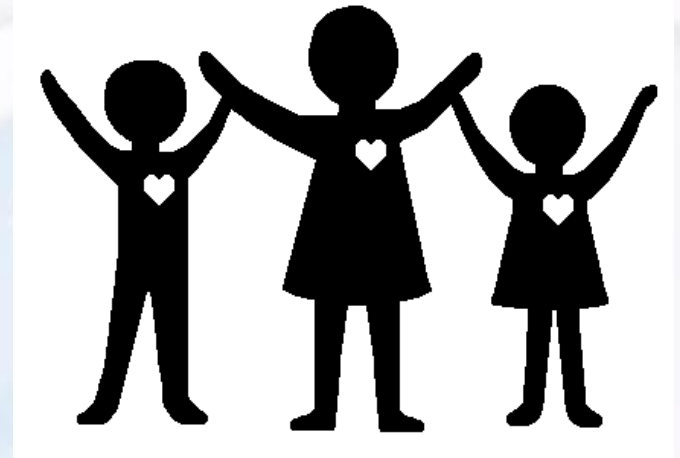


Personal
Incidentals

Schedule C

expense items on
Schedule C...

Best Practices



- Answer the review questions... thoughtfully
- Adjust audit to identify expense by type and program
- Track days-of-care by program and home (residential)
- Use different accounts to distinguish room & board from other compensation for Treatment Foster Parents (TFPs)
- Residential Facilities: have utility company breakdown utility bill by building



All information, forms and schedules for completing the Residential Treatment and Foster Care Cost Report are available at <http://www.ncdhhs.gov/about/administrative-divisions-offices/office-of-controller>

under **Program-Specific Information for:**

Look for **Foster Care Agencies and Facilities** in the list to link to pertinent information.

Program Issues, Contract Requirements or payment:

[Amy Oathout](#) – (984)-314-6779 or Amy.Oathout@dhhs.nc.gov

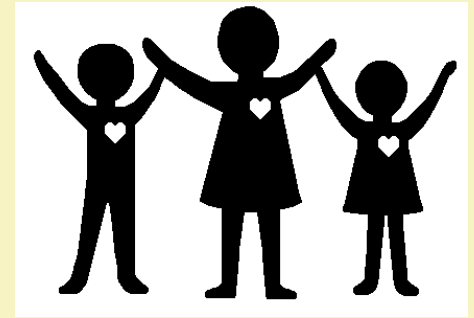
Cost Report questions:

[Susan Kesler](#) – (919)-855-3680 or Susan.Kesler@dhhs.nc.gov

[Yashaciqa Davis](#) – 919-527-7175 or Yashaciqa.Davis@dhhs.nc.gov



Final Reminders



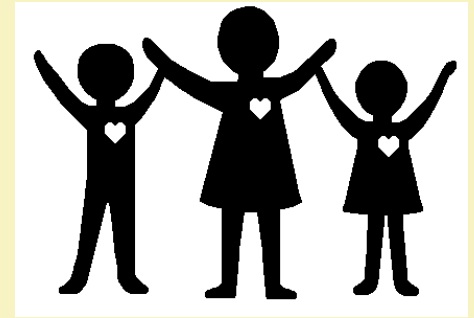
- Please send as much information, including cost report workbook, audits, childcare days, as electronic files by email.
- Cost Report is not considered received until all required information has been submitted.
- Cost Report is based on most recently closed accounting year end.
- If information is missing or need help understanding how figures got from the audit to the cost reports, Rate Setting will email asking for information.
- Cost Report, Certification of Accuracy (on Sched A) must be signed. Wet or electronic signatures are acceptable.

Final Reminders



- Major error I prefer the agency to fix; minor errors I am willing to make with written permission.
- If the error is on Sched A, that will need to be printed and signed/dated and resent.
- Susan can be reached at either Susan.Kesler@dhhs.nc.gov or at Susan.Sibbett@dhhs.nc.gov. Kesler has 1 S; Sibbett has 2 Bs and 2 Ts. Current plans are for Susan to retire at the end of this cost reporting cycle. As Susan will be on vacation when cost reports are due, please make sure to copy Yashaciqa on all emails!!

Final Reminders



- Yashaciqa Davis will be learning how to review foster care this cycle. She will likely have slightly different questions than Susan. Just as Susan did when she took over from Mike. Please be patient and understanding as Yashaciqa learns and eventually takes over foster care. She can be reached at

Yashaciqa.Davis@dhhs.nc.gov or 919-527-7175

Questions

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