

**DEPARTMENT OF CHILDREN
AND FAMILIES AND SELECTED
COMMUNITY-BASED CARE
LEAD AGENCIES**

**OVERSIGHT OF FOSTER CARE
AND RELATED SERVICES**

Operational Audit



DEPARTMENT OF CHILDREN AND FAMILIES AND COMMUNITY-BASED CARE LEAD AGENCIES

The Department of Children and Families (Department) is established by Section 20.19, Florida Statutes. The head of the Department is the Secretary who is appointed by the Governor and subject to confirmation by the Senate.

Pursuant to Section 409.986(1)(a), Florida Statutes, the Department contracts with Community-Based Care Lead Agencies (CBCs) and has established a Statewide network to manage and deliver foster care and related services. The Department and the six CBCs selected for audit field work, and the respective Department and CBC heads who served during the period of our audit, were:

Department of Children and Families	Mike Carroll, Secretary, from May 5, 2014 Esther Jacobo, Interim Secretary, from July 19, 2013 David Wilkins, Secretary, through July 19, 2013
Big Bend Community Based Care, Inc.	Mike Watkins, Chief Executive Officer
ChildNet, Inc. – Palm Beach County	Larry Rein, Executive Director
Eckerd Community Alternatives – Hillsborough County	Lorita Shirley, Executive Director
Family Support Services of North Florida, Inc.	E. Lee Kaywork, Chief Executive Officer
Our Kids of Miami-Dade/Monroe, Inc.	Frances Allegra, Chief Executive Officer
St. Johns County Board of County Commissioners Family Integrity Program	Joy Andrews, Chief Executive Officer, from June 18, 2013 Joy Andrews, Interim Chief Executive Officer, through June 17, 2013 Jerry Cameron, Interim Chief Executive Officer, through January 14, 2013

The audit team leader was Jacqueline Joyner, CPA, and the audit was supervised by Karen Van Amburg, CPA. Please address inquiries regarding this report to Lisa Norman, CPA, Audit Manager, by e-mail at lisanorman@aud.state.fl.us or by telephone at (850) 412-2831.

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DEPARTMENT OF CHILDREN AND FAMILIES AND SELECTED COMMUNITY-BASED CARE LEAD AGENCIES

Oversight of Foster Care and Related Services

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DEPARTMENT OF CHILDREN AND FAMILIES AND SELECTED COMMUNITY-BASED CARE LEAD AGENCIES

Oversight of Foster Care and Related Services

SUMMARY

This operational audit of the Department of Children and Families (Department) focused on oversight of foster care programs and related services by the Department and selected Community-Based Care Lead Agencies (CBCs). We performed audit procedures at the Department and 6 of the State's 20 CBCs. The 6 CBCs selected for audit field work were: Big Bend Community Based Care, Inc. (BBCBC); ChildNet, Inc. - Palm Beach County; Eckerd Community Alternatives – Hillsborough County; Family Support Services of North Florida, Inc.; Our Kids of Miami-Dade/Monroe, Inc. (Our Kids); and St. Johns County Board of County Commissioners Family Integrity Program. Our audit disclosed the following:

Department Oversight of Foster Care Programs and Related Services

Finding No. 1: The Department did not always adequately conduct, document, review, and report the results of CBC monitoring.

Finding No. 2: The Department did not conduct overall reconciliations between the expenditure data maintained in the Florida Safe Families Network (FSFN), Florida Accounting Information Resource Subsystem (FLAIR), and Grants and Other Revenue Allocation and Tracking System (GRANTS). Such reconciliations are important to ensure that the data used for budgeting, tracking client services, and the determination of Federal reimbursement amounts is accurate and complete. Additionally, Department procedures for reconciling amounts reported on the CBCs' Monthly Actual Expenditure Reports to FSFN client payment data need enhancement to ensure that payments made to the CBCs and recorded in FLAIR are complete, accurate, and valid.

Community-Based Care Lead Agencies

CBC PAYMENTS

Finding No. 3: The CBCs could not always demonstrate that contract payments were properly supported by adequate documentation or made in accordance with applicable contract terms.

Finding No. 4: CBC payments for travel and food were not always adequately supported or made in accordance with State law and rules.

Finding No. 5: Our audit identified expenditures for food and entertainment made by Our Kids and reimbursed by the Department that were not permitted by State law and Department policy.

Finding No. 6: The BBCBC used Department funds to pay mortgage interest related to the purchase of real property, contrary to Department guidelines.

Finding No. 7: CBC salary payments and leave balances were not always supported or calculated in accordance with established CBC policies or State law.

Finding No. 8: The CBCs did not always document that individuals employed in management positions met minimum education or licensure requirements or, alternatively, adequately document the basis for waiving such requirements.

FLORIDA SAFE FAMILIES NETWORK (FSFN)

Finding No. 9: Controls over access to FSFN need improvement.

Finding No. 10: FSFN user access privileges were not always timely deactivated upon a CBC employee's separation from employment.

Finding No. 11: The CBCs and the Department did not always ensure that client data was entered in FSFN accurately or timely.

Finding No. 12: Payments recorded in FSFN by Our Kids and its subcontractors were not always accurate, or were made for services that were not actually received, and Our Kids did not always timely detect the payment errors or make necessary corrections.

Finding No. 13: The CBCs did not always ensure that differences identified during reconciliations between FSFN data and CBC accounting records were researched and timely resolved.

CBC SUBCONTRACTOR MONITORING

Finding No. 14: The CBCs' subcontractor monitoring efforts need improvement.

Finding No. 15: The CBCs did not always ensure that contract monitoring activities were appropriately performed, reviewed, and documented in accordance with applicable guidelines.

CBC TANGIBLE PERSONAL PROPERTY ADMINISTRATION

Finding No. 16: The CBCs did not always timely and accurately record property acquisitions in CBC tangible personal property records.

Finding No. 17: The CBCs did not always ensure that the results of annual physical inventories were reconciled to CBC accounting and property records. In addition, the CBCs did not always properly conduct and document annual physical inventories in accordance with Department requirements or ensure that such inventories were conducted by persons independent of the property record-keeping function.

BACKGROUND

State law¹ provides that the Department of Children and Families (Department) is to work in partnership with local communities to protect the vulnerable, promote strong and economically self-sufficient families, and advance personal and family recovery and resiliency. The Department plans, administers, and delivers most of its services to target groups through offices in 6 regions and 20 circuits. The regional offices are responsible for support services, contract management, and local program office functions. The circuits are responsible for field operations, such as protective investigations for children and adults and public assistance eligibility determinations. The Department's Central Office of Administrative Services provides administrative guidance and support to the regions in the areas of fiscal, budget, contract management, and general services and is responsible for ensuring Statewide compliance and adherence to State laws and Federal regulations.

FINDINGS AND RECOMMENDATIONS

Department Oversight of Foster Care Programs and Related Services

Pursuant to State law,² the Department contracts with Community-Based Care Lead Agencies (CBCs) to provide foster care and related services, including family preservation, residential group care, foster care, foster care supervision, independent living, and family reunification. A significant portion of the contracted services provided by the CBCs are funded through the Department's Federal grant awards³ for programs including, but not limited to, the Foster Care, Adoption Assistance, and Independent Living programs. The CBCs are to plan, administer, and

¹ Section 20.19, Florida Statutes.

² Section 409.1671(1)(a), Florida Statutes. Effective July 1, 2014, Chapter 2014-224, Laws of Florida, repealed Section 409.1671(1)(a), Florida Statutes, and created Section 409.986(1)(a), Florida Statutes, which contained identical language.

³ Temporary Assistance for Needy Families (CFDA No. 93.558), Foster Care Title IV-E (CFDA No. 93.658), Adoption Assistance (CFDA No. 93.659), Social Services Block Grant (CFDA No. 93.667), Community Based Care (CBC) Supports (CFSA No. 60.094), Chafee Education and Training Vouchers Program (CFDA No. 93.599).

coordinate the delivery of client services; ensure compliance with State laws, rules, and Federal regulations; compensate service providers; administer financial assistance payments to clients; and monitor subcontracts. Most CBCs contract with subcontractors for case management and direct care services to children and their families. The Department provides Statewide program oversight, operates the State's Abuse Hotline, conducts child protective investigations, and provides legal representation in court proceedings.

As of September 2014, the Department had 20 CBC service contracts with 17 entities.⁴ **EXHIBIT A** to this report shows the designated CBC areas and lists the entities under contract with the Department to provide CBC services in each area of the State. As part of our audit, we selected and performed audit field work at 6 CBCs⁵ and obtained information and documentation regarding the 6 CBCs' total expenditures, executive salaries, and clients served. We also surveyed the remaining 14 CBCs to obtain similar information. According to the data provided, on average, the CBCs spent \$3,152,002 (5 percent of total expenditures) on administrative activities during the period July 2012 through December 2013. A listing identifying, by CBC, total expenditures, and the total number of employees and clients is included as **EXHIBIT B** to this report. **EXHIBIT C** to this report shows that, as of April 30, 2014, CBC executive officer annual salaries, before any bonuses, ranged from \$78,120 to \$400,000, and averaged \$176,395.

The Department and the CBCs utilized the Florida Safe Families Network (FSFN) to document and integrate all aspects of youth welfare case practice and service delivery, including financial management. In 2011, the Department required all CBCs to fully utilize the financial module of FSFN as the official record for payments made to or on behalf of clients. While the Department utilized the Florida Accounting Information Resource Subsystem (FLAIR), each CBC maintained its own accounting system.

Finding No. 1: Monitoring of CBCs

State law⁶ requires the Department to establish a contract monitoring unit and a monitoring process that includes, but is not limited to:

- Performing a risk assessment at the start of each fiscal year and preparing an annual contract monitoring schedule that considers the level of risk assigned.
- Preparing a contract monitoring plan that includes sampling procedures and a description of the programmatic, fiscal, and administrative components that will be monitored on-site.
- Providing a written report presenting the results of the monitoring within 30 days after the completion of the on-site monitoring.

Pursuant to State law, the Department created the Contract Oversight Unit (COU) to perform programmatic and administrative monitoring of the CBCs. During the period July 2012 through February 2014, the COU completed 30 CBC monitoring visits. The Department also established the Fiscal Accountability Office (FAO) to perform fiscal monitoring of the CBCs, including reviewing invoices and cost allocation plans and periodically testing transactions for compliance with the CBCs' approved cost allocation plans. The FAO completed 6 CBC monitoring visits during the period July 2012 through February 2014.

As part of our audit, we evaluated the Department's CBC monitoring efforts and examined documentation for 8 COU monitoring visits and 2 FAO monitoring visits. Such documentation included monitoring tools, risk

⁴ Three entities each had CBC service contracts for two designated CBC areas.

⁵ The 6 CBCs selected for audit field work were: Big Bend Community Based Care, Inc.; ChildNet, Inc. – Palm Beach County; Eckerd Community Alternatives – Hillsborough County; Family Support Services of North Florida, Inc.; Our Kids of Miami-Dade/Monroe, Inc.; and St. Johns County Board of County Commissioners Family Integrity Program.

⁶ Section 402.7305(4), Florida Statutes.

assessments, monitoring schedules, monitoring procedures, and reports. Our audit procedures disclosed that the COU and FAO did not always adequately plan, conduct, and document the results of CBC monitoring efforts. Specifically, we found that:

- The COU had developed tools to document the programmatic and administrative monitoring process. However, our comparison of the COU's monitoring tools to the standard CBC contract disclosed that six contractual requirements, including requirements related to the timeliness of FSFN data entry, employee reference checks, foster care parent licensing, provision of staff listings and notifications of key personnel vacancies, the conduct of quarterly meetings with Community Alliance members, and Supplemental Security Insurance applications for disabled children in care, were not addressed in the monitoring tools. In response to our audit inquiry, Department management indicated that, although the contractual requirements were not incorporated into the monitoring tools, the requirements could be reviewed upon request by a CBC contract manager.⁷ However, the documentation we reviewed related to 8 monitoring visits did not evidence that any of the excluded requirements had been monitored.
- The FAO had established fiscal monitoring tools; however the FAO had not established detailed fiscal monitoring procedures that addressed, for example, the sampling procedures to be used, the appropriate completion of monitoring tools, or an independent review of monitoring documentation and reports.
- The FAO monitoring tools we reviewed for 2 FAO monitoring visits were not adequately completed and the information included in the monitoring reports was not always supported by the information noted on the monitoring tools. For example, sections of the monitoring tools related to the adequacy of CBC policies and procedures, staffing ratios, staffing salaries, and the accuracy of expenditure reports, were incomplete and there was not sufficient explanation as to why the sections had not been completed. In addition, both monitoring reports identified the results of a transaction sample that had not been documented in the related monitoring tools. FAO management indicated in response to our audit inquiry that no independent review of fiscal monitoring documentation or completed reports was performed as there were no staff available to perform such reviews.

Including all contractual requirements in the COU contract monitoring tools would provide Department management with greater assurance, and enable the Department to better demonstrate, that the CBCs are meeting all the contractual requirements. Absent FAO fiscal monitoring procedures providing detailed instructions for monitoring CBC fiscal records and activities, Department management's assurance that the fiscal monitoring is conducted timely, consistently, and comprehensively is diminished. In addition, properly completed FAO monitoring tools, appropriate support for all FAO monitoring report information, and independent review of FAO monitoring efforts, would enable the Department to better demonstrate that the monitoring performed was sufficient and that the results of the monitoring were adequately supported.

Recommendation: We recommend that Department management update the COU monitoring tools to ensure that all contractual requirements are addressed. Additionally, to ensure the adequacy and timeliness of the fiscal monitoring, we recommend that Department management ensure fiscal monitoring procedures are established to address, among other things, the sampling procedures to be used, the appropriate completion of monitoring tools, and an independent review of monitoring documentation and reports.

Finding No. 2: Data Reconciliations

Client payment data is maintained by the Department in three information technology (IT) systems: FSFN, FLAIR, and the Grants and Other Revenue Allocation and Tracking System (GRANTS). As previously described, the Department and the CBCs utilized the financial module of FSFN as the official record for payments made to or on behalf of clients and each CBC also maintained its own accounting system.

⁷ The CBC contract managers are Department employees responsible for enforcing the terms and conditions of CBC contracts.

The Department used FLAIR to pay the CBCs on an advance basis in amounts that represented one-twelfth of each fiscal year's budgeted contract amount. When making the CBC payments, the Department recorded the amounts in FLAIR based on the fiscal year budgeted contract amount. Each month, the CBCs were required to submit invoices to the Department, along with copies of their CBC Monthly Actual Expenditure Reports, prepared using the CBC accounting records, and supporting documentation. After receipt of the invoice documentation, the Department adjusted the CBC payments in FLAIR to reflect the actual expenditures, as reported by the CBCs on the CBC Monthly Actual Expenditure Reports for the various services, such as foster care, adoption, and independent living.

The Department utilized GRANTS to capture and sort data from FLAIR, allocate expenditures to funding sources, calculate Federal reimbursements, and perform other financial activities. GRANTS also supplied data used to compile reports required by the Federal Government. Department management indicated in response to our audit inquiry that, although GRANTS captures information from FLAIR, due to timing reasons, the CBC Monthly Actual Expenditure Reports received after the State's fiscal year-end are used to manually update GRANTS.

Given that multiple IT systems are used to capture and account for client payment and program expenditure data, periodic reconciliations of the data in each system are necessary to reasonably ensure the accuracy and completeness of the data and to timely identify discrepancies that may require corrective actions. However, our audit procedures disclosed that the Department did not conduct reconciliations between the FSFN, FLAIR, and GRANTS data during the period July 2012 through February 2014.

In the absence of Department-performed reconciliations, we compared the 2012-13 fiscal year payments made to or on behalf of CBC clients as recorded in FSFN to those recorded in FLAIR and in GRANTS. Our comparison disclosed that the payment amounts recorded in FSFN were \$9,331,165 (3 percent) less than the amounts recorded in FLAIR, the amounts recorded in FSFN exceeded the amounts recorded in GRANTS by \$12,626,605 (4 percent), and the amounts recorded in FLAIR exceeded the amounts recorded in GRANTS by \$21,957,771 (7 percent).

Upon implementation of the *FSFN Reconciliation Process Reference Guide (Guide)* in December 2013, contract managers were to complete, on a monthly basis as part of the invoice approval process, reconciliations between FSFN and each CBC Monthly Actual Expenditure Report. The *Guide* provided instructions to the Department's CBC contract managers for reconciling FSFN client payment data to the CBC Monthly Actual Expenditure Report information and specified the reports to be used. The *Guide* also required the contract managers to research reconciling items noted during the reconciliation process and communicate with CBC staff as needed to resolve and correct the items. Once a contract manager completed a reconciliation, the completed reconciliation and supporting documentation was to be submitted to the FAO. We examined documentation related to 4 of the 40 reconciliations related to 4 different CBCs and prepared by the Department for the months of January and February 2014 and noted that:

- One of the 4 reconciliations was not completed by the contract manager in accordance with the *Guide*. In this instance, the contract manager did not utilize the specified reports necessary to identify potential issues caused by changes made in FSFN. Also, the contract manager did not submit to the FAO supporting documentation for differences totaling \$555,134 noted during the reconciliation or evidence documenting the efforts made to resolve the differences.
- Two of the 4 reconciliations were not complete. For one reconciliation, differences totaling \$736 between FSFN and the amounts reported by the CBC were identified; however, Department staff had not researched the differences and there was no evidence of communication between the Department and the CBC regarding the differences. For the second reconciliation, the data included in the FSFN reports used during the reconciliation process was missing dates or included transactions with dates outside the reconciliation period. Our comparison of FSFN data and the CBC's accounting records for the month of this reconciliation identified differences totaling \$379,170 that Department staff had not researched and resolved.

- None of the documentation for the 4 reconciliations included evidence of supervisory review. In response to our audit inquiry, Department management indicated that, while supervisory reviews had been conducted, no evidence of the reviews was maintained.

According to Department management, reconciling FSN data to the CBC Monthly Actual Expenditure Reports had been difficult due to changes within FSN, lack of user understanding, technical issues, and difficulties with report downloads due to the large number of transactions. Department management also indicated that, while Department staff had requested changes to FSN to help facilitate the reconciliation process, these changes had not yet been put in place.

Absent complete, properly prepared, documented, and reviewed reconciliations of FSN, FLAIR, GRANTS, and CBC Monthly Actual Expenditure Report data, the Department lacks assurance and cannot demonstrate that program expenditures are accurate and complete and that any data discrepancies were timely identified and corrected. Also, the data used by the Department for tracking client services, monitoring client payments and CBC budgets, and the determination of Federal reimbursement amounts may not be reliable.

Recommendation: We recommend that Department management establish procedures requiring periodic reconciliations of FSN, FLAIR, and GRANTS data. We also recommend that Department management enhance the FSN to CBC Monthly Actual Expenditure Reports reconciliation procedures to ensure that payments made to the CBCs and recorded in FLAIR are complete, accurate, and valid. Department management should ensure that documentation of the supervisory review of all reconciliations performed is appropriately maintained.

Community-Based Care Lead Agencies

As previously noted, the 20 CBCs are responsible for managing and delivering foster care and related services Statewide. As part of our audit, we performed audit procedures with respect to the following 6 CBCs:

- Big Bend Community Based Care, Inc. (BBCBC).
- ChildNet, Inc. – Palm Beach County (ChildNet).
- Eckerd Community Alternatives – Hillsborough County (ECA).
- Family Support Services of North Florida, Inc. (FSSNF).
- Our Kids of Miami-Dade/Monroe, Inc. (Our Kids).
- St. Johns County Board of County Commissioners Family Integrity Program (St. Johns).

CBC Payments

The contracts between the Department and the CBCs required the CBCs to comply with all State laws and rules and Federal laws and regulations. The Department published on its Web site guidelines⁸ clarifying the applicability of certain laws, regulations, and Department policies and the allowability of CBC expenditures.

To ensure the appropriateness of expenditures and promote compliance with the applicable laws, rules, regulations, and Department policies, CBC management is responsible for establishing and implementing controls, including controls to prevent improper contract, administrative, and payroll payments. Such controls should include, but not be limited to, procedures to verify that, prior to payment, amounts are accurate and adequately supported and comply with all applicable State laws, rules, and Federal regulations.

⁸ Department *Guidelines on Expenditures by CBC Providers for Foster Care and Related Services*.

Finding No. 3: Contract Payments

To provide foster care and related services, the CBCs enter into contracts with various providers. As part of our audit, we reviewed CBC records for 77 contract payments (26 payments at the BBCBC, 11 payments at ChildNet, 10 payments at the ECA, 10 payments at the FSSNF, 10 Payments at Our Kids, and 10 payments at St. Johns) totaling \$2,648,442 to determine whether the contract payments were properly supported by adequate documentation and made in accordance with contract terms. Our audit tests disclosed that the contract payments made by the CBCs were not always supported by adequate documentation or made in accordance with applicable contract terms. Specifically, our tests of contract payments at the six CBCs selected for audit disclosed that:

- The BBCBC contracted with a provider for room, board, care, and supervision for dependent youth between 6 and 17 years of age. The contract specified that the BBCBC would pay the provider \$12,714 per month for 11 beds, whether occupied or not, plus \$38 per day for the 12th through 16th bed if utilized. Based on these contract terms, \$18,604 was the maximum monthly amount payable to the provider for a total of 16 utilized beds. During the period July 2012 through January 2014, the BBCBC made 19 monthly payments totaling \$358,758 to the provider. For 9 of the 19 monthly payments, the BBCBC reimbursed the provider for services in excess of the 16-bed limit. The amounts paid in excess of the \$18,604 maximum monthly amount payable ranged from \$494 to \$5,396 per month and totaled \$20,406. Subsequent to our audit inquiry, the BBCBC amended the contract to remove the 16-bed limit and allow payment for all occupied beds.
- An FSSNF contract with a youth welfare services provider required the provider to maintain a minimum number of full-time equivalent (FTE) staff positions to ensure the safety and well-being of the youth in its charge. The contract specified that, for any FTE position vacancy that was not filled within 45 consecutive days, the provider's monthly payment was to be reduced by the prorated share of funds allocated to the vacant position until a replacement was hired. The contract terms included the number of FTE positions and a total annual amount for all FTE positions, and based on the contract terms, our calculation of the monthly cost allocable to one FTE position was \$7,675. However, we noted that the FSSNF had reduced the provider's monthly payment by only \$4,650 for one FTE position vacancy, or \$3,025 less than our calculation. In response to our audit inquiry, FSSNF management indicated that the contract amount per FTE position included salaries, benefits, and overhead, and they had only reduced the payment for the amount of the salaries and benefits. However, documentation was not available to demonstrate that the FTE rate established in the contract included overhead. Subsequent to our audit inquiry, the FSSNF updated its contract with the provider to better define the specific FTE position rate by which payments were to be reduced for each vacancy.
- Our Kids entered into a contract, totaling \$66,181, with a provider of youth welfare services to fund two positions for the period July 1, 2013, through June 30, 2014. One payment included in our testing and made by Our Kids to the provider for 3 months of services was \$11,958 more than the amount provided for by the contract for the 3 months. In response to our audit inquiry, Our Kids stated that the salary amount provided for in the contract was for an 8-month period. Notwithstanding that the contract documentation showed that the positions were for a 12-month period, we recalculated the payment using an 8-month period for the salary amount and determined that Our Kids overpaid the provider by \$3,799.
- St. Johns' contract with a provider for out-of-home care provided that St. Johns would pay the provider a daily rate per youth of \$55 for youth ages 5 to 11 years and \$62 for youth ages 12 to 17 years. Our examination of documentation for two payments, made to the provider in September 2013 and December 2013 and totaling \$3,410, identified instances in which St. Johns reimbursed the provider for youth served at an incorrect daily rate. For these two payments, St. Johns' paid the provider at the \$55 rather than the \$62 daily rate, resulting in underpayments totaling \$434. In response to our audit inquiry, St. Johns management indicated that the youth had been in care from a younger age and it appeared that the rate had never been adjusted.
- St. Johns was unable to provide an invoice or other documentation to support one payment in the amount of \$4,030, made to a residential group care provider in December 2012 and selected for audit testing. Based on our audit inquiries with St. Johns' management, it appears the documentation was misfiled or not retained.

Documentation that adequately supports that contract payments were made in accordance with contract terms, is necessary for the CBCs to demonstrate the appropriateness of the contract payments made.

Recommendation: We recommend that CBC management ensure that contract payments are adequately supported and made in accordance with applicable contract terms.

Finding No. 4: Administrative Payments

The Department's CBC Authority and Requirements Reference Guide identifies the provisions of State and Federal laws, rules, and regulations applicable to the CBCs. Among the provisions applicable to CBCs are State laws governing travel, food, and refreshment expenses. The Department's contracts with the CBCs also specify that allowable expenditures include those authorized by State law⁹ and the Department of Financial Services' Reference Guide for State Expenditures.

State law¹⁰ establishes standard travel reimbursement rates, procedures, and limitations applicable to all public officers, employees, and other persons whose travel is authorized and paid by a public agency. Pursuant to State law,¹¹ the Department of Financial Services (DFS) developed rules¹² for State agencies to adhere to when reimbursing travel expenses. Those rules¹³ specify that a traveler may not claim per diem or reimbursement for lodging for overnight travel within 50 miles of their official headquarters or residence, unless the circumstances necessitating such overnight travel are fully explained by the traveler and approved by the agency head. State law¹⁴ also specifies that the DFS furnish a uniform travel voucher form to be used by all State officers, employees, and authorized persons when submitting travel expenses for approval and payment. All mileage claimed for reimbursement is required¹⁵ to be shown from point of origin to point of destination and, when possible, be computed on the basis of the current map of the Department of Transportation. State law provides that vicinity mileage necessary for the conduct of official business is allowable, but must be shown as a separate item on the travel voucher.

DFS rules¹⁶ define the point of origin for travel as the geographic location of the traveler's official headquarters or the geographic location where travel begins, whichever is the lesser distance from the destination. The DFS travel voucher¹⁷ requires that the traveler record the purpose of the travel, keep an accurate record of the point of origin for travel, the destination of travel for each day of the travel period, and the hour of departure from and return to the official headquarters or city of residence. In addition, the DFS Travel Manual, which provides guidance on expenditures authorized for travel in accordance with State law,¹⁸ specifies that justification should be provided for hotel expenses that exceed \$150 per night.

As part of our audit, we reviewed CBC records for 75 administrative payments, totaling \$445,757, to determine whether payments made for travel, rent, supplies, and other goods and services were properly supported by adequate documentation and made in accordance with State laws and rules. Our audit tests disclosed that CBC administrative

⁹ Section 409.1671, Florida Statutes. Effective July 1, 2014, Chapter 2014-224, Laws of Florida, repealed Section 409.1671(13), Florida Statutes, and created Section 409.992(2), Florida Statutes, which contained identical language.

¹⁰ Section 112.061, Florida Statutes.

¹¹ Section 112.061(9)(a), Florida Statutes.

¹² DFS Rules, Chapter 69I-42, Florida Administrative Code.

¹³ DFS Rule 69I-42.006(7), Florida Administrative Code.

¹⁴ Section 112.061(11)(b)1., Florida Statutes.

¹⁵ Section 112.061(7)(d)3., Florida Statutes.

¹⁶ DFS Rule 69I-42.002(15), Florida Administrative Code.

¹⁷ DFS Form AA-15, *Voucher for Reimbursement of Travel*.

¹⁸ Section 112.061, Florida Statutes.

payments were not always adequately supported or made in accordance with State laws and rules. Specifically, we found that:

- For a \$946 travel payment for mileage, per diem, and meals, the BBCBC allowed an employee to use her residence as the point of origin rather than her assigned headquarters, which was closer to the travel destination. By using the greater distance, the employee traveled more than 50 miles and was able to collect per diem and reimbursement for one night of lodging. If the employee had used the lesser distance, as required by State law, the payment would have been reduced by \$235. In response to our audit inquiry, BBCBC management stated that allowing the employee to stay overnight rather than commute was the most efficient use of the employee's time; however, this explanation was not documented on the travel voucher.
- For 2 travel payments totaling \$975, ChildNet did not utilize the DFS travel voucher and instead used a ChildNet travel voucher. The ChildNet travel voucher did not include all the requirements specified by State law, such as a separate identification of map and vicinity mileage. In response to our audit inquiry, ChildNet management indicated that ChildNet was following its established travel procedures which had been reviewed by the Department. Notwithstanding this response, use of the DFS travel voucher is required by State law.
- For 2 hotel payments, totaling \$1,042, the ECA was unable to provide documentation, such as a travel reimbursement voucher or conference agenda, demonstrating that the expenses were related to CBC business. Additionally, an \$18 movie charge was included in one of the payments and the other payment included a 2-night hotel stay for \$219 per night, which exceeded \$150 per night. In response to our audit inquiry, ECA management could not provide justification for exceeding the \$150 nightly rate specified in the DFS Travel Manual.

The ECA could not provide documentation to support the payment of a \$65 restaurant charge. In response to our audit inquiry, ECA management indicated that the payment was a business expense paid through the CBC's purchasing card system but was unable to locate the receipt. Pursuant to State law,¹⁹ expenditures for food and refreshments, other than those provided to clients in the care of the CBC or to foster parents, adoptive parents, and caseworkers during training sessions, are not allowable.

Documentation demonstrating that CBC administrative payments were made in accordance with State laws and rules provides assurances regarding the appropriate management and stewardship of Department-provided public funds.

Recommendation: We recommend that CBC management ensure that administrative payments are adequately supported and made in accordance with applicable State laws and rules.

Finding No. 5: Allowability of Our Kids Expenditures

As noted in finding No. 4, State law²⁰ prohibits CBC expenditures for food and refreshments, other than those provided to clients in the care of the CBC or to foster parents, adoptive parents, and caseworkers during training sessions. According to Department-established guidelines,²¹ CBC providers may incur and receive reimbursement for any and all expenditures that are reasonable and necessary for the administration of the foster care and related services programs, including the Independent Living Program, as long as the expenditures are allowable under State law. The guidelines expressly prohibited CBC expenditures for entertainment and decorative items, such as picture frames and statues.

As part of our audit, we tested, expenditures made by the six CBCs selected for audit for a variety of goods and services. According to Our Kids records, Our Kids expended \$37.6 million for items such as travel, furniture and

¹⁹ Section 409.1671(13), Florida Statutes. Effective July 1, 2014, Chapter 2014-224, Laws of Florida, repealed Section 409.1671(13), Florida Statutes, and created Section 409.992(2), Florida Statutes, which contained identical language.

²⁰ Ibid.

²¹ Department *Guidelines on Expenditures by CBC Providers for Foster Care and Related Services*.

equipment, adoption services home studies, and independent living services during the period July 2012 through February 2014. Our examination of documentation for ten Our Kids expenditures, totaling \$574,970, disclosed that, for one expenditure, Our Kids was reimbursed by the Department for \$27,967 in costs related to an Independent Living Program graduation event held in June 2013 and attended by community leaders, foster care advocates and workers, parents, and students. It was not apparent from the documentation provided by Our Kids that the costs were reasonable and necessary for the administration of the Independent Living Program. As shown in Table 1, the costs also included food and entertainment costs that were prohibited under State law and Department policy.

Table 1
Our Kids June 2013
Graduation Event Costs

Cost Item	Amount
Venue rental	\$ 5,250
Food for 250 guests	6,684
Photography	2,500
Decorations	522
Event planning	5,959
Photo booth	860
Certificate frames	1,749
Books	1,800
Caps and gowns	930
Service charges	1,713
Total	<u>\$27,967</u>

Source: Our Kids records.

In response to our audit inquiry, Our Kids management indicated that they believed the event costs were appropriate as the Department had approved the costs for a similar event in 2008. Notwithstanding this explanation, the documentation supporting the expenditure did not demonstrate that the costs were necessary, reasonable, and allowable under State law and Department policy.

Recommendation: We recommend that Our Kids management ensure State funds are used only for expenditures that are necessary, reasonable, and allowable under State law and Department policy. In addition, we recommend that Our Kids, in consultation with the Department, make appropriate funding source adjustments for the unallowable costs related to the graduation event.

Follow-up to Our Kids Management's Response:

In their response, Our Kids' management indicated that we had taken an overly narrow view of the statutory allowances established in Florida law and that the expenditures for the graduation event were reasonable and necessary as they helped build self-esteem in young adults. Notwithstanding Our Kids' response, Section 409.1671(13), Florida Statutes, specifically prohibits expenditures for food and refreshments to individuals other than clients in the care of the CBC and Department guidelines prohibit the expenditure of funds for entertainment and decorative items. Further, Department management, in response to this finding, indicated that the CBCs are not permitted to pay for food and entertainment except under certain delineated circumstances.

Finding No. 6: BBCBC Real Property Transactions

Department guidelines²² restrict the purchase of land or buildings to funding sources other than the CBC contract. These guidelines also provide that buildings may be capitalized and charged to the Department through depreciation expense; however, depreciation on land is not allowed. According to the BBCBC's audited financial statements for the 2007-08 through 2012-13 fiscal years, the BBCBC's annual depreciation expense, including depreciation expense for both real and tangible personal property, ranged from \$71,381 to \$219,460.

During the conduct of our audit field work, we identified real property purchases in Leon County totaling approximately \$6.16 million made by the BBCBC during the period February 2008 through September 2013. Our examination of BBCBC accounting records and reported revenue sources disclosed that mortgage interest related to the financing of the property purchases was paid by the BBCBC, in large part, with Department-provided funds. Specifically, according to the BBCBC's audited financial statements for the 2008-09 through 2012-13 fiscal years,²³ on average, 98 percent or more of the total BBCBC support and revenues were attributable to Department-provided funds. BBCBC accounting records indicated that, during the period July 2012 through January 2014, the BBCBC used Department-provided funds totaling \$808,669 for allocated facility costs that included unallowable mortgage interest expense, as well as depreciation expense pursuant to the BBCBC's cost allocation plan.

Recommendation: We recommend that the BBCBC discontinue allocating mortgage interest expense to the funds provided by the Department. We also recommend that the BBCBC, in consultation with the Department, make appropriate funding source adjustments for costs, other than allowable depreciation expense, related to the real property purchased.

Follow-up to BBCBC and Department Management's Responses:

In BBCBC management's response they indicate that the finding is in error and provide various explanations for their position. For example, BBCBC management state that the finding "is based solely on DCF guidelines that are not incorporated by reference in the contract between BBCBC and the DCF." However, the terms of the contract between the Department and the BBCBC provide that "the contract and its attachments...and any exhibits referenced in said attachments together with any documents incorporated by reference, contain all the terms and conditions agreed upon by the parties." In contract Attachment I, Section A.2.c., Scope of Services, it states that "specific documents that are a part of this contract and are incorporated by reference can be obtained on the Department's Web site, which is linked at <http://www.dcf.state.fl.us/cbc/>." The Department document referenced in the finding, Guidelines on Expenditures by CBC Providers for Foster Care and Related Services, is linked under "Fiscal Attachments" on the Department's referenced Web page and expressly states "Contract funds may not be used to purchase land or buildings. All such purchases must be made with funds obtained from funding sources other than the CBC contract."

In BBCBC's management's response they also state that "mortgage interest is expressly allowable under the terms of the contract and federal law." However, the contract between the Department and the BBCBC does not address mortgage interest. Further, OMB Circular A-122, Attachment A, item A.2.b., states that to be allowable under an award, costs must conform to any limitations or exclusions set forth in the award as to types or amount of cost items. Given that the terms of the contract between the Department and the

²² Ibid.

²³ At the time of our audit field work, the BBCBC's audited financial statements for the 2013-14 fiscal year were not available.

BBCBC prohibit the use of contract funds for the purchase of land or buildings, the use of Federal funds for mortgage interest costs does not appear to be allowable.

Department management's response states that they have "requested additional information regarding the BBCBC's land/building purchases so a thorough examination of the transactions can be conducted." In addition to the conduct of a thorough examination of the transactions, we recommend that Department management seek clarification from the United States Department of Health and Human Services regarding the BBCBC's use of Federal Title IV-E Foster Care and Title IV-E Adoption Assistance funds for mortgage interest costs when the contract terms explicitly prohibit the use of contract-awarded funds for land and building purchases.

Finding No. 7: Salary Payments

As shown in **EXHIBIT B** to this report, the six CBCs selected for audit employed a total of 557 employees as of December 31, 2013. As part of our audit, we reviewed CBC documentation for 98 salary payments, including payments for regular salary, leave, and bonuses, made during the period July 2012 through February 2014 and totaling \$493,574, to determine whether the payment amounts were properly calculated, approved, and supported by authorized personnel action documentation and sufficient time and attendance records. Table 2 summarizes, for each of the selected CBCs, the total salary payments for the period July 2012 through February 2014, and the total salary payments tested.

Table 2
Summary of Salary Payments and Salary Payments Tested
July 2012 Through February 2014

CBC	Total Salary Payments		Total Salary Payments Tested	
	Number	Amount	Number	Amount
BBCBC	2,308	\$5,401,511	25	\$182,933
ChildNet ^a	1,898	3,490,904	15	63,736
ECA	10,764	11,843,865	14	113,528
FSSNF	6,199	10,693,759	15	53,254
Our Kids	5,671	14,026,276	14	51,243
St. Johns	3,472	2,539,319	15	28,880
Totals	30,312	\$47,995,634	98	\$493,574

^a Amounts provided by ChildNet represent net salary rather than gross salary.

Source: CBC Records.

Our audit tests disclosed instances where salary payments, including bonuses, selected perquisites, and severance pay, or leave balances did not appear to be properly supported or calculated in accordance with established CBC policy or State law. Specifically, we noted that:

Payment Documentation

- In September 2013, a BBCBC employee received a merit pay increase and a cellular telephone allowance totaling \$2,090 per year. According to BBCBC records, this employee's spouse was a BBCBC executive manager. In response to our audit request for approval documentation for the increase and allowance, BBCBC management provided an Action Notice dated subsequent to our audit request that was authorized by the employee's spouse as well as the BBCBC Director of Finance.

- The FSSNF Board of Directors approved a 4 percent pay raise for the FSSNF CEO in February 2013. However, the FSSNF salary payment documentation disclosed that the CEO's salary was increased by an amount that exceeded the percentage increase approved by the Board. As a result, the CEO received salary payments totaling \$4,334 in excess of the Board-approved amount during the 2013 calendar year. In response to our audit inquiry, FSSNF management indicated that the Board had, subsequent to our audit inquiry, approved the higher salary amount. FSSNF management also indicated that, for all future employee pay raises, the FSSNF will use a spreadsheet that automatically calculates the amount of a raise.

Bonuses

- State law²⁴ specifies that no extra compensation shall be made to any officer, agent, employee, or contractor after the service has been rendered or the contract made. Our test of BBCBC salary payments made with Department-provided funds included a \$15,000 bonus awarded to the CEO in December 2012 that was not supported by a provision in the CEO's employment contract. In response to our audit inquiry, BBCBC management indicated that bonuses awarded at the discretion of the Board were based on market standards and performance. However, as the CEO's employment contract did not provide for the payment of bonuses, the \$15,000 bonus payment was extra compensation prohibited by State law. Our audit procedures also found that the BBCBC had not established policies and procedures regarding the award and calculation of bonuses for BBCBC staff.

Severance Payment

- State law²⁵ provides that severance payments are allowable in certain circumstances, including circumstances in which the payment is paid from non-State appropriated funds or represents the resolution of an employment dispute. Our test of BBCBC salary payments included a \$1,604 severance payment paid from Department-provided funds. In response to our audit inquiry, BBCBC management confirmed that the BBCBC had no policies and procedures related to severance pay and stated that no documentation was available to support the determination of the amount of severance pay or that the pay related to the resolution of an employment dispute.

Leave Records

- The BBCBC Human Resources (HR) supervisor maintained a leave schedule which served as the BBCBC's official leave records. The HR supervisor was to update the leave schedule to reflect the leave taken as recorded on employee time sheets. However, our audit procedures disclosed that the BBCBC's practices for recording leave did not ensure that all leave taken was accurately recorded in the official leave records. Specifically:
 - BBCBC policies did not address when employees were required to record leave on their time sheets. However, BBCBC management indicated in response to our audit inquiry that if a salaried employee²⁶ used less than 8 hours of leave during a work day, the leave was not deducted from the BBCBC's official leave records.
 - Our test of 12 BBCBC salary payments that included payment for leave used disclosed that, for 5 payments, the leave recorded in the official leave records did not agree with the leave recorded on the employees' time sheets. For the pay periods reviewed, the leave recorded in the official leave records ranged from 16 hours less to 32 hours more than the leave recorded on an employee's time sheet.

Similar instances related to BBCBC leave policies were noted in finding No. 8 of our report No. 2015-155.

- Our test of 14 salary payments at Our Kids included a \$644 payout for unused leave. Our Kids made the \$644 leave payout to a terminating employee for 32 hours of leave; however, the employee's leave balance was only 18 hours. As a result, Our Kids overpaid the former employee by \$227. In response to our audit

²⁴ Section 215.425(1), Florida Statutes.

²⁵ Sections 215.425(2) and (4), Florida Statutes.

²⁶ During the period of our audit, all the BBCBC employees were salaried employees.

inquiry, Our Kids management indicated that the employee was terminated upon return from leave and the leave used prior to termination was inadvertently included in the leave payout calculation.

Salary and leave and attendance records support the compensation amounts authorized to be paid. Such records enable CBC management to demonstrate that salary payments were properly approved, accurately calculated, and made in compliance with CBC policy and State law. Absent records that accurately reflect the hours of leave used by salaried employees, the BBCBC cannot demonstrate that the number of established full-time positions are necessary to accomplish the tasks required by the contract terms or that the employee leave balances adequately support the amount due for compensated absences recorded in the BBCBC accounting records. Properly designed and established controls, including established policies and procedures related to merit pay decisions, bonuses, and the calculation of severance payments, promote payment accuracy and compliance with State law.

Recommendation: We recommend that CBC management enhance controls to ensure that salary payments, including payments for leave and bonuses, are properly authorized, accurately calculated, adequately supported, and made in accordance with State law. We also recommend that BBCBC management establish procedures related to bonuses and severance pay, ensure that leave records are accurately maintained, and require that management involved in personnel evaluations, including merit pay decisions, be independent of, and have no conflicts of interest related to, the personnel subject to review. In consultation with the Department, BBCBC management should also make appropriate funding source adjustments for bonuses paid to the CEO.

Follow-up to BBCBC Management's Response:

BBCBC management's response indicates disagreement with the portion of this finding related to the payment of a bonus to the BBCBC Chief Executive Officer. BBCBC management indicated that the provisions of Section 215.425(1), Florida Statutes, do not apply to the BBCBC as the contract is a fixed-price contract and the BBCBC is an independent contractor. BBCBC management also indicates that Section 215.425, Florida Statutes, applies only to State funds. While BBCBC management is correct that Section 215.425(1), Florida Statutes, does not apply to independent contractors, the BBCBC is incorrect in stating that Section 215.425, Florida Statutes, would not apply to Federal funds. As documented in the Department's contract with the BBCBC, the BBCBC is a subrecipient of the Department and is subject to State laws, rules, and regulations regarding the expenditure of funds, including the payment of additional compensation. Additionally, OMB Circular A-87, Attachment A, Item C.1.c., provides that for an expenditure to be allowable under Federal regulations, an expenditure must be authorized or not prohibited under State law.

Finding No. 8: Employment Contracts and Staff Qualifications

The effectiveness of the foster care and related services delivered at the CBC level is dependent, in part, on the employment of individuals who meet the minimum requirements for the positions they occupy. Effective employment practices include the adoption of position descriptions that specify minimum education and experience requirements to ensure that employees have the skills necessary to adequately perform their required duties.

We reviewed the employment contracts, related position descriptions, and personnel files, for 54 employees at the 6 selected CBCs to determine whether the employees met the position requirements, including the education, experience, and background screening requirements. We identified two instances in which minimum education requirements had not been met. Specifically:

- The ECA Associate Executive Director, was paid an annual salary of \$112,200 as of February 28, 2014, did not possess the minimum education credentials required for her position. Specifically, while the minimum position requirements included a Master's Degree in a Human Services field, the Associate Executive Director had a Bachelor's Degree in Community and Human Services. ECA management responded that the Associate Executive Director was highly experienced; however, justification for waiving the minimum education requirement had not been documented in the personnel file.
- Our Kids' Chief Financial Officer (CFO), who was paid an annual salary of \$132,500 as of February 28, 2014, was hired on May 21, 2012, contingent on completing her Bachelor's degree in Business Administration and Finance by June 1, 2013. As of June 2014, the CFO had not completed her Bachelor's degree. Subsequent to our audit inquiry in June 2014, Our Kids provided the CFO with an extension until December 2014; however, in response to our follow-up inquiries, Our Kids management indicated that the employee did not complete the degree by December 2014 and an additional extension until May 2015 had been granted.

Adherence to prescribed employment requirements, or adequate documentation explaining the basis for waiving such requirements, is necessary to demonstrate that CBC employees charged with administering foster care and related services possess the qualifications necessary to satisfactorily perform their assigned duties and responsibilities.

Recommendation: We recommend that CBC management ensure that, prior to hire, an applicant for employment meets the education requirements applicable to the position. When other qualifications and experience are considered acceptable in lieu of education requirements, the CBCs should adequately document this consideration in the personnel file as justification for waiving the requirements. Additionally, given that contingent criteria are established to ensure employees have the qualifications necessary to effectively perform their jobs, Our Kids should ensure that employees timely meet the established criteria and limit the number of extensions granted.

Florida Safe Families Network (FSFN)

The Florida Safe Families Network (FSFN) is the State's official Statewide Automated Child Welfare Information System. FSFN is the Department's official recordkeeping system for documenting youth protective investigations and youth welfare casework Statewide. FSFN automates casework practice and integrates client, service, financial, and provider data to provide workers, supervisors, and administrators with the information they need to protect youth, help families, and manage youth welfare programs. As FSFN contains confidential client information, access should be appropriately restricted.

The Department created a FSFN Statewide Access Request Form (FSFN Form) to be utilized when requesting initial access, changing access, or terminating access to FSFN. A completed form includes the action requested, the employee's name, job title, requested level of access, and a supervisor's signature approving the request. Upon completion, the supervisor is to submit the FSFN Form to the Department's FSFN Network Security Officer who authorizes the requested changes to the user's FSFN access.

As part of our audit, we evaluated certain access controls, data entry procedures, and data reconciliation processes related to FSFN and noted, as discussed in finding Nos. 9 through 13, FSFN-related Department and CBC controls need improvement. Other findings related to FSFN were also noted in our Information Technology Operational Audit report No. 2014-143, dated March 2014.

Finding No. 9: Appropriateness of Access Privileges

Effective access controls include measures that limit user access privileges to data and information technology (IT) resources in a manner that promotes an appropriate separation of duties and restricts users to only those functions necessary for their assigned job responsibilities. Appropriately restricted access privileges help protect data and

IT resources from unauthorized disclosure, modification, and destruction. Effective access authorization practices include, among other things, the use of access authorization forms to document the user access privileges that management has authorized and periodic review of access privileges to ensure that the access privileges remain appropriate. Access control documentation should be maintained in an adequate manner to support that access privileges were accurately assigned.

To ensure security over State agency IT systems and data, minimum security standards were established in Agency for Enterprise Information Technology (AEIT) rules.²⁷ Those rules specify that agency information owners are responsible for authorizing access to information and require that agency information owners review access rights (privileges) periodically based on risk, access account change activity, and error rate. The rules also provide for the adequate separation of duties to minimize the opportunity for any one person to subvert or damage information resources.

As part of our audit, we evaluated CBC controls related to FSFN, including procedures for granting FSFN user access privileges, periodically reviewing FSFN user access privileges to ensure the continued appropriateness of the access, and deactivating FSFN user account access privileges upon a user's termination of employment. As shown in Table 3, our examination of documentation related to 107 user accounts with access to selected FSFN functions during the period July 2012 through February 2014 disclosed that FSFN access privileges were not always appropriate or adequately documented.

Table 3
Summary of FSFN Access Deficiencies

CBC	Number of User Accounts				
	Tested	With Inadequate Separation of Duties	With Access Privileges Not Approved on the FSFN Form	With No FSFN Form Available	With Unnecessary Access Privileges
BBCBC	20	12	19	-	-
ChildNet	20	10	8	12	-
ECA	19	8	4	14	-
FSSNF	18	3	3	-	-
Our Kids	20	6	-	16	1
St. Johns	10	2	8	-	1
Totals	<u>107</u>	<u>41</u>	<u>42</u>	<u>42</u>	<u>2</u>

Specifically, we found that:

- For 41 user accounts, the users were granted access to FSFN security profiles that, by design, allowed the performance of system functions that were contrary to an appropriate separation of duties, such as the ability to create financial payments and change provider information, including provider addresses. These accounts were all established using ten FSFN security profiles that, as described in our report No. 2014-143, finding No. 1, the Department had created and allowed an inappropriate separation of duties.
- For 42 user accounts, the security profiles assigned to the users were not approved on the FSFN Forms provided by the CBCs.
- For 42 user accounts, the CBCs were unable to provide a completed FSFN Form.

²⁷ AEIT Rules 71A-1.007 and 71A-2.004, Florida Administrative Code. Effective July 1, 2014, Chapter 2014-221, Laws of Florida, created the Agency for State Technology (AST) within the Department of Management Services and authorized a type two transfer of all records; property; administrative authority; administrative rules in Chapters 71A-1 and 71A-2, Florida Administrative Code; and existing contracts of the AEIT to the AST.

- For 2 user accounts, the users were granted access privileges that were not necessary for the performance of their assigned job responsibilities.

Additionally, we noted at all six selected CBCs that periodic reviews to determine the continued appropriateness of the access privileges granted to all of the CBC's FSFN users had either not been performed or were not documented.

Similar instances regarding BBCBC access controls over the Substance Abuse and Mental Health Information System were noted in finding No. 7 of our report No. 2015-155.

According to CBC staff, the unavailable FSFN Forms either had been misplaced or were not maintained, and some changes to user accounts had been verbally communicated or e-mailed by the user's supervisor and not documented on FSFN Forms. FSSNF management provided updated access forms, dated January 5, 2015, for the three FSSNF employees we identified as having been granted FSFN access privileges not included on an approved FSFN Form.

Incompatible and unnecessary access privileges increase the risk that confidential information may be exposed and misappropriation of assets and erroneous manipulation of data may occur. Absent documentation of the user access privileges authorized by management, the CBC cannot demonstrate that user access privileges are appropriately restricted to those necessary for the accomplishment of user assigned job responsibilities. Periodic reviews of FSFN user access privileges would provide the Department and CBC management with additional assurance that assigned user access privileges continued to be appropriate.

Recommendation: We recommend that the CBCs limit FSFN user access privileges to only those access privileges necessary for the user's assigned job responsibilities. Additionally, we recommend that the CBCs maintain documentation supporting the user access privileges authorized by management and perform, and document, periodic reviews of the continued appropriateness of assigned FSFN access privileges. Additionally, the Department should ensure that FSFN security profiles are designed to promote an appropriate separation of duties and that the approval of assigned security profiles be documented on FSFN Forms.

Finding No. 10: Termination of FSFN Access Privileges

Effective IT access controls include provisions to timely deactivate user access privileges when access is no longer necessary and when employment terminations occur. Pursuant to the terms of the CBCs' contracts with the Department, the CBCs were to follow Department-established CBC Information Systems Requirements. The CBC Information Systems Requirements include provisions restricting access to authorized individuals as needed for business use. The Department was responsible for deactivating access when requested by the CBCs and, pursuant to the CBC Information Systems Requirements, the CBCs were to notify the Department's Information Security staff of an employment termination within 2 business days of the termination.

For the six CBCs selected for audit field work, a total of 109 employees with FSFN access terminated from CBC employment during the period July 2012 through February 2014. As summarized in Table 4, our examination of CBC records for the FSFN user accounts associated with 30 of these former employees identified 14 user accounts that remained active after the employees' dates of employment termination. Although the access privileges for 12 of the 14 former employees had been deactivated as of January 2014, the privileges had remained active for 5 to 294 business days after the applicable employment termination dates. The access privileges for the remaining 2 former employees remained active for 30 and 252 business days after the employment termination dates. These 2 user accounts were deactivated in April and June 2014 subsequent to our audit inquiry.

Table 4
Summary of Untimely FSFN Access Privileges Deactivations

CBC	Number of Terminated Employee User Accounts Tested	Number of Employees Whose Access Privileges Were Not Timely Deactivated	Number of Business Days Between Termination and Deactivation of Access Privileges
BBCBC	5	3	30, 64, and 294
ChildNet	5	1	98
ECA	5	2	23 and 38
FSSNF	5	-	-
Our Kids	5	4	5, 7, 66, and 252
St. Johns	5	4	5, 23, 44, and 47
Totals	<u>30</u>	<u>14</u>	

According to CBC management, FSFN controls prevent user accounts from being deactivated until the account no longer has any active assigned cases. While the CBCs can lock the accounts, the lock date is not documented in FSFN. CBC management also provided explanations for the FSFN user account access privileges we identified as not timely deactivated. For example, the CBC employees who manage FSFN access were unaware of the user's employment termination or a former CBC employee had been hired by a contractor and continued to need FSFN access.

We also noted that a former St. Johns employee had accessed FSFN subsequent to their termination from employment with the CBC. In response to our audit inquiry, St. Johns management indicated that the employee had transferred to another job within the county government and continued to work part-time with the St. Johns CBC staff until a replacement could be found. However, documentation to support the employee's part-time position was not provided in response to our audit request.

Delays in canceling user access privileges increases the risks of inappropriate access to data and IT resources and unauthorized disclosure, modification, or destruction of Department data and IT resources. Given that confidential client information and other sensitive data is maintained in FSFN, the timely deactivation of FSFN access privileges is especially important. Accordingly, the CBC Information Systems Requirements provision requiring the CBCs to notify the Department's Information Security staff of an employment termination within 2 business days may not appropriately reduce the risk of inappropriate access.

Recommendation: To minimize the risk of compromising FSFN data and IT resources, we recommend that CBC management enhance procedures to timely request the Department to deactivate FSFN access privileges upon a user's CBC employment termination. In addition, we recommend that the Department consider revising the CBC Information Systems Requirements to require notification of all employment terminations within 1 business day.

Finding No. 11: FSFN Data Entry

State law²⁸ requires that FSFN must, at a minimum, facilitate comprehensive screenings, uniform assessments, case planning, monitoring, resource matching, and outcome evaluations for youth welfare and prevention and diversion services. To efficiently perform the required screenings and assessments and facilitate effective case management,

²⁸ Section 409.146(2), Florida Statutes.

FSFN must contain accurate information regarding the youth's date of birth (DOB), social security number (SSN), place of birth, gender, location, race, and any related family members. To ensure that FSFN contained the most accurate and complete data regarding the youth, the CBCs' contracts with the Department required that FSFN be updated within 3 working days for any changes known to the CBC.

As part of our audit, we reviewed a total of 98 case files for clients with payments recorded in FSFN by the six selected CBCs during the period July 2012 through February 2014 to determine whether the FSFN data was complete, accurate, and up-to-date. As summarized in Table 5, we identified instances of incomplete or incorrect FSFN data.

Table 5
Summary of FSFN Data Testing

CBC	Number of Case Files Tested	Number of Cases With Incomplete or Incorrect Data in FSFN Related to:		
		SSN	DOB	Place of Birth
BBCBC	24	2	1	-
ChildNet	15	-	-	-
ECA	15	-	-	-
FSSNF	15	1	-	1
Our Kids	15	-	-	-
St. Johns	14	3	-	-
Totals	98	6	1	1

Additionally, our audit procedures found that two CBCs had not always entered case-related event data²⁹ into FSFN within 3 working days. For the BBCBC, we identified 50 entries, related to three client case files, which were made from 4 to 153 working days after an event had occurred. For St. Johns, we identified 7 entries, related to six client case files, which were made from 4 to 20 working days after an event had occurred. Our review of the St. Johns client case files also disclosed 13 entries, related to one client case file, made by a Department employee 7 to 16 working days after an event had occurred.

In response to our audit inquiries, BBCBC management indicated that they were unsure why FSFN data elements were incorrect or incomplete but were aware of the untimely data entry issues and were monitoring and offering additional case manager training to ensure that the issues did not continue. FSSNF management stated that missing or incomplete data elements were now being identified and corrected. St. Johns management stated that the timeliness of data entry had not been monitored in the past but that internal monitoring of entry timeliness would be implemented.

Notwithstanding these responses, by not ensuring that FSFN includes accurate, complete, and up-to-date information, critical information, including client location, necessary for effective service delivery may not be readily available.

Recommendation: We recommend that CBC and Department management strengthen controls over FSFN data entry to ensure all basic client information is entered accurately and timely.

²⁹ Case-related event data includes, for example, information related to court hearings, medical appointments, caseworker home visits, family assessments, and caregiver communications.

Finding No. 12: FSN Client Payment Data

As part our audit we also examined FSN payment data, related to the 98 client case files discussed in finding No. 11, to determine whether the data accurately reflected the amounts due for the applicable case-related services and events. For the selected payment data, our audit tests disclosed two instances where the Our Kids payment data in FSN was inaccurate or reflected payments made for services that had not been received according to the case file information. Specifically, we found that:

- One instance related to a youth who resided in a residential group home and, based on FSN data, during the period March 2013 through September 2013 Our Kids paid the residential group home provider \$46,239 in fees for services provided to this youth. In November 2013, the provider attempted to retroactively adjust the March 2013 through September 2013 payments in FSN by reversing the fees received and resubmitting the services for payment at a higher rate based on a new fee schedule. However, the provider resubmitted the services but failed to reverse the fees received, resulting in an additional \$78,031 being recorded in FSN for the service-related fees. In response to our audit inquiry, Our Kids management provided documentation to support that, while the amounts had been recorded in FSN, no payments had been made by Our Kids for the resubmitted services. In July 2014, subsequent to our audit inquiry, Our Kids requested the provider to adjust FSN for the incorrectly recorded services. Our Kids management indicated that the FSN errors had not been previously detected as a process for reconciling FSN to Our Kids accounting records was not in place in November 2013 when the provider resubmitted the services for payment in FSN.
- The second instance related to a \$50 payment for one night of respite care services for a youth; however, the services were not documented in the FSN case file. In response to our audit inquiry, Our Kids management indicated that the youth had not been in respite care and the charge was in error. Subsequent to our audit inquiry, the provider made adjustments to repay the \$50.

Controls designed to ensure that FSN payment data is accurate and that payments are made only for services actually received, provides the Department and Our Kids management with assurance that Department-provided funds are used only for allowable purposes and that FSN payment data is reliable.

Recommendation: We recommend that Our Kids management ensure that FSN client payment data is accurate and that payments only be made for services actually provided.

Finding No. 13: FSN and CBC Accounting Records Reconciliations

As noted in finding No. 2, the CBCs utilized the financial module of FSN as the official record for payments made to or on behalf of clients and each CBC also maintained its own accounting system. Each month, the CBCs were required to submit invoices to the Department, along with copies of their CBC Monthly Actual Expenditure Reports, prepared using the CBC accounting records, and supporting documentation. As the CBCs maintain similar data, including client payment data, in both FSN and their accounting systems, the Department requires the FSN data to be reconciled to the related CBC accounting records. Such reconciliations help to ensure accurate amounts are reflected in the CBC Monthly Actual Expenditure Reports and also provide assurances as to the accuracy and completeness of the payment data maintained in FSN and the CBC accounting records.

We examined seven reconciliations performed by the six selected CBCs (two reconciliations for the BBCBC and one reconciliation each for the other five selected CBCs) during the period July 2012 through February 2014 and identified unresolved differences between FSN and the BBCBC, FSSNF, and Our Kids' accounting records. Specifically, we found:

- The BBCBC identified differences during both the August 2012 and January 2014 reconciliations. For the August 2012 reconciliation, the BBCBC identified a difference of \$1,135 between FSFN and the BBCBC accounting records. BBCBC staff researched the difference and identified one client payment made in FSFN for the month that had not been recorded in the BBCBC accounting records that month. According to BBCBC management, they believed the payment had been recorded in the accounting records in the previous month but no further research was performed. We noted that, although two transactions had been recorded in the accounting records for the client during the month, the transaction amounts netted to zero. The BBCBC did not correct the accounting records for the noted difference.

For the January 2014 reconciliation, the BBCBC identified differences totaling \$2,431 between FSFN and the BBCBC accounting records. BBCBC staff researched the differences and determined that the differences related to 16 separate payments. In February 2014, BBCBC staff inquired about 7 of the 16 payments with both BBCBC and Department staff; however, as of April 16, 2014, no additional inquiries or further research had been performed to resolve the differences. The other 9 payments all related to one client and according to BBCBC management, they believed that the differences were due to a change in client eligibility in FSFN. No further research was performed and no adjustments for the differences were made. In response to our audit inquiry, BBCBC management stated that it was difficult to resolve issues identified through the reconciliation because of issues with FSFN and BBCBC staff availability.

- The FSSNF identified differences totaling \$379,152 during the January 2014 reconciliation but had not researched or resolved \$9,892 of the differences as of June 13, 2014. In response to our audit inquiry, FSSNF management indicated that as of June 2014, due to time constraints, FSSNF personnel had not been able to resolve the remaining difference amount.
- Our Kids performed monthly reconciliations between FSFN and Our Kids accounting records for Adoption Assistance and Independent Living Program payments. Our Kids contracted with Full Case Management Agencies (FCMAs) to provide all necessary services to children referred by Our Kids until permanency goals had been achieved. The FCMAs were contractually required to reconcile, on a monthly basis, FSFN and FCMA accounting records for program payments other than Adoption Assistance and Independent Living Program payments processed by Our Kids. The reconciliations performed by Our Kids and the FCMAs for January 2014 showed that six FCMAs processed Foster Care program payments totaling \$1,370,464, and Our Kids processed Adoption Assistance and Independent Living Program payments totaling \$1,877,030. In response to our audit request, Our Kids management could not provide documentation demonstrating that Our Kids staff had reviewed the FSFN to accounting record reconciliations performed by the FCMAs to ensure the accuracy and completeness of the reconciliations, that differences had been investigated and resolved, and that FSFN and FCMA accounting records were updated timely, as appropriate. Also, although Our Kids contracted with a third party to monitor the FCMAs, according to Our Kids management, the contract between Our Kids and the third party monitor did not include a requirement to monitor the FCMAs' monthly reconciliations. Effective July 1, 2014, Our Kids contracted with a new third party monitor and that contract includes a requirement to monitor the FCMAs' reconciliations.

Additionally, the Our Kids January 2014 reconciliation identified errors in the funding source recorded in five Our Kids accounting program accounts related to the Adoption Assistance and Independent Living programs. The misclassifications in the three Adoption Assistance program accounts were \$1,509, \$1,082, and \$226 and the amounts misclassified in the two Independent Living program accounts were \$527 each. For the three Adoption Assistance program accounts, no adjustment had been made to the accounting records and Our Kids could not provide documentation to demonstrate whether an adjustment to FSFN was required. For the Independent Living program accounts, an adjusting entry had been made to correct Our Kids accounting records; however, the entry was not made until June 30, 2014. In response to our audit inquiry, Our Kids management indicated that certain differences cannot be resolved when reconciling due to issues with FSFN.

Timely and properly completed, documented, and reviewed reconciliations between FSFN data and CBC accounting records, with any noted differences timely researched and resolved, better ensures and more readily demonstrates that all client payments are correctly recorded in FSFN.

Recommendation: We recommend that the CBCs ensure that differences identified during FSN to accounting records reconciliations are researched and resolved timely.

CBC Subcontractor Monitoring

Effective contract and grant management requires the monitoring of contractor and grantee performance to determine compliance with contract and grant provisions and to provide a means for early detection of potential problems and timely corrective action. To demonstrate effective contract and grant management, records of CBC subcontractor monitoring, such as monitoring procedures, plans, and activities, including periodic on-site monitoring visits, should be maintained.

Finding No. 14: Monitoring of Subcontractors

Foster care and related services are made available to eligible individuals either directly by the CBCs or by providers, including, but not limited to, group homes, physicians, and counselors, who enter into contracts with the CBCs. To ensure that provider services are provided in accordance with applicable laws, regulations, and contract terms, each CBC is required by their contract with the Department to monitor the performance of all subcontractors.

As part of our audit, we evaluated the six selected CBCs' monitoring processes and efforts related to subcontracts that were active during some of the period July 2012 through June 2014. We found that, although we noted monitoring documentation issues at the BBCBC, ChildNet, the ECA, and the FSSNF, as discussed in finding No. 15, the monitoring processes established at the four CBCs were generally sufficient. We also found that Our Kids and St. Johns monitoring processes and efforts need improvement. Specifically, regarding Our Kids and St. Johns subcontractor monitoring processes and efforts we found that:

- Our Kids had 24 subcontracts active during the period July 2012 through February 2014, including six FCMA contracts for case management functions effective for the period November 2009 through June 2014. Our Kids monitored the performance of each FCMA utilizing quarterly scorecards to measure, based on data from FSN, whether the FCMA was meeting performance requirements stipulated in the contract between the CBC and each FCMA. However, documentation of Our Kids performance measure monitoring efforts related to two FCMA's did not demonstrate that the performance issues noted during monitoring, such as those related to measures addressing the adoption of youth in foster care, reunification of children with their families, placement of children, and home studies, had been appropriately and timely resolved. Specifically:
 - For the quarter ended March 31, 2013, Our Kids found one FCMA to be noncompliant with three of the nine measures against which FCMA performance was monitored. In May 2013, Our Kids provided the FCMA with a corrective action plan (CAP) form listing the noted compliance issues and required the FCMA to complete the CAP form by addressing each deficiency identified, including the planned corrective action steps and an anticipated time frame for correcting each deficiency. The CAP was to be completed by the FCMA within 15 business days of notification and submitted to Our Kids for approval. However, as of July 2014, Our Kids was unable to provide documentation demonstrating that the CAP had been properly completed by the FCMA or approved by Our Kids. In addition, although Our Kids management had signed the section of the CAP form indicating that the issues of noncompliance had been corrected, there was no indication of how Our Kids management had verified that the necessary corrective actions had been taken. One of the three issues noted related to the adoption of youth in foster care, which was also a noncompliance issue in the next four subsequent quarters. In response to our audit inquiry, Our Kids management indicated that the CAP form had not been completed due to an Our Kids' employee oversight.
 - For the quarter ended September 30, 2013, Our Kids found another FCMA to be noncompliant with seven of the nine performance measures and provided the list of issues noted to the FCMA. Although

the FCMA completed a CAP and returned it to Our Kids, our examination of Our Kids monitoring efforts related to the same FCMA for the two subsequent quarterly periods (quarters ended December 31, 2013, and March 31, 2014) disclosed that Our Kids had found the FCMA to be noncompliant with five of the nine performance measures. Our further review of the scorecard results for the three prior quarterly periods (quarters ended December 31, 2012, March 31, 2013, and June 30, 2013) disclosed that Our Kids had found the FCMA to be noncompliant with two or more performance measures for all three quarters. The contract between Our Kids and the FCMA allowed for financial consequences if the FCMA failed to perform and achieve critical outcomes. However, Our Kids did not assess any penalties to the FCMA during the period October 2012 through March 2014 and paid the FCMA \$5,829,762 during that same period. In response to our audit inquiry, Our Kids management indicated that they had been unable to find another FCMA to serve the geographical area so they continued to contract with this FCMA. Our Kids management also indicated they had been assisting the FCMA in meeting performance measures by hiring an outside consultant to reorganize the FCMA's organizational structure and providing an Our Kids employee to serve as the FCMA's Chief Operating Officer. The outside consultant was paid \$65,931 for the period September 2013 through April 2014 and the Our Kids employee serving as the FCMA's COO received a stipend of \$1,300 per month, in addition to their regular salary, for the additional workload. However, Our Kids payments to the FCMA were not reduced by similar amounts.

- Our Kids contracted for the administrative, compliance, and fiscal monitoring of all its subcontractors other than the FCMAs. Our Kids staff reviewed the monitoring reports issued by the monitoring contractor for evidence of monitoring efforts and compared the report issue dates with the contractor's monitoring schedule to ensure that the reports were issued timely. However, Our Kids staff had not evaluated the thoroughness and quality of the contractor's monitoring efforts, as, for example, Our Kids staff did not ensure that the monitoring contractor determined whether the subcontractors met all the applicable contract requirements.
- St. Johns had 9 subcontracts active during the period July 2013 through June 2014 and utilized the same subcontractors as the FSSNF. In response to our audit inquiry, St. Johns management indicated that they relied on monitoring performed by FSSNF staff for assurance that the subcontractors were meeting contract terms, and that St. Johns staff reviewed licensure reports and independent audit reports related to the subcontractors. However, our review of three St. Johns contract files disclosed that, while St. Johns staff obtained copies of the monitoring reports prepared by FSSNF staff, as well as licensure reports and independent audit reports, documentation of St. Johns review and follow-up on the FSSNF monitoring findings, or evidence of review of the licensure reports, was not available. Additionally, while we noted that the activity log in two subcontract files indicated reviews of independent audit reports had been performed, the log did not indicate that any follow-up had been performed by St. Johns staff for a report with noted deficiencies. In response to our audit inquiry, St. Johns management indicated that the CBC had only started issuing subcontracts in 2010 and was not familiar with all of the processes involved in managing their subcontracts.

Proper subcontractor monitoring and prompt actions to follow up on deficiencies identified through monitoring allows the CBCs to evaluate the subcontractors' compliance with all the contract terms and to determine whether foster care and related services were provided to individuals in accordance with applicable laws, regulations, and contract terms. Effective subcontractor monitoring also provides assurance that public funds were effectively and efficiently used for only the intended purposes.

Recommendation: We recommend that CBC management ensure that monitoring activities, including appropriate follow-up activities, are appropriately conducted and documented. Effective monitoring activities should evaluate subcontractor compliance with all the contract terms; determine whether foster care and related services were provided to individuals in accordance with applicable laws, regulations, and contract terms; and include a follow-up on noted deficiencies to ensure timely corrective actions are taken. If timely corrective actions are not taken for persistent noncompliance, the CBCs should assess appropriate penalties.

Finding No. 15: Documentation of CBC Subcontractor Monitoring

According to CBC records, during the period July 2012 through February 2014, the BBCBC, ChildNet, ECA, and FSSNF staff conducted 101 subcontractor monitoring visits. As part of our audit, we examined CBC records for 12 subcontractor monitoring visits (3 visits each for the four CBCs) to determine whether contract terms were monitored, monitoring tools were complete, monitoring reports reflected issues identified through monitoring tools, and whether the CBC staff had timely followed up on all issues identified in the reports. Our audit tests disclosed that:

Monitoring Plan

- The use of a monitoring plan or similar document provides the CBCs with a mechanism to document the areas to be monitored, the number of items to be selected, and specify any risk factors noted from prior monitoring visits, performance measure reviews, audit reports, and invoices. Our review of the CBCs' preparation and documented execution of monitoring plans disclosed that monitoring plans were either not always prepared or the prepared monitoring plans were not executed as designed and there were no documented reasons for the deviations from the plans. Specifically:
 - The BBCBC utilized a monitoring plan to document the scope, purpose, and planned number and types of cases to be reviewed. For the BBCBC monitoring visits selected for review, the number and type of case records reviewed differed from the monitoring plan and the reasons for the differences were not documented in the monitoring records. In response to our audit inquiry, BBCBC management indicated that the plans were developed using FSNF information which at times was inaccurate and that monitoring staff sometimes adjusted the number and types of cases to be reviewed during the monitoring visit based on risk.
 - ChildNet policies³⁰ required that a Contract Monitoring Plan Outline be developed that indicated, among other things, the dates specified activities were to be completed, locations to be visited, formats to be used, and interviews to be conducted during the monitoring visit. Our review of documentation supporting the 3 ChildNet monitoring visits disclosed that a Contract Monitoring Plan Outline was not prepared for the monitoring visits. ChildNet utilized a monitoring schedule to track key dates such as onsite monitoring and report issuance dates; however, the schedule did not incorporate all of the elements required in the Contract Monitoring Plan Outline. In response to our audit inquiry, ChildNet management indicated that the monitoring plan referenced in the policy was found to be not useful for planning purposes and they were currently redeveloping the monitoring schedule to incorporate the elements required in the Contract Monitoring Plan Outline.
 - FSSNF policies and procedures³¹ required the preparation of a monitoring plan at least 14 calendar days prior to the monitoring visit and that any adjustment to the monitoring plan be documented, along with the reason for the adjustment. FSSNF policies and procedures also required the monitoring plan to include, among other things, the number of items to be selected for testing. For all 3 FSSNF monitoring visits, we found that monitoring plans had not been prepared. In response to our audit inquiry, FSSNF management indicated that checklists had been used in lieu of the monitoring plans; however, our examination of the checklists used disclosed that the checklists did not provide the number of items to be selected for testing.

Monitoring Tools

- Properly designed and completed checklists or tools help to ensure that all contract criteria are monitored, monitoring activities are documented, and monitoring conclusions are supported and appropriately included in the monitoring report. Our review of the CBCs' monitoring documentation disclosed that monitoring

³⁰ ChildNet Policy No. CN 005.010, *Contract Monitoring*.

³¹ FSSNF Administrative and Programmatic Policy and Procedure, *Contract Monitoring*.

tools were not always properly completed and monitoring reports were not always supported by the tools. Specifically:

- For 1 of the 3 ChildNet monitoring visits, a deficiency identified in the monitoring tool was not included as a finding in the monitoring report. In response to our audit inquiry, ChildNet management indicated that they had determined the issue should not be included in the report as a finding, but had inadvertently failed to document their decision.
- For the 3 FSSNF monitoring visits, not all criteria within the monitoring tools had been completed, and some deficiencies identified in the monitoring tools were not included in the monitoring reports. For example, the monitoring reports did not address the use of policies and procedures that were not approved; the failure to obtain an updated background screening for personnel; and medical requirements, such as medical exams within 72 hours, not met for youth in care. In response to our audit inquiry, FSSNF management indicated that the incomplete criteria and the deficiencies excluded from the reports were due to staff oversight.

Corrective Action Plans

- When deficiencies were disclosed in a monitoring report, the BBCBC also issued the contractor a CAP listing the deficiencies. The contractor was required to complete the CAP, identifying the steps and time frames anticipated by the contractor to correct each deficiency. However, for 1 of the 3 BBCBC monitoring visits, a deficiency disclosed in the report had not been included in the CAP. Additionally, for another monitoring visit, ten deficiencies disclosed in the monitoring report were not listed in the CAP. In response to our audit inquiry, BBCBC management indicated that for this visit some deficiencies were inadvertently excluded from the CAP, however, the majority of the deficiencies not included related to best practices and, therefore, were not contract compliance issues.

Supervisory Review

- To ensure the accuracy and completeness of the reported monitoring results, documentation supporting the monitoring efforts and results and the written monitoring reports should be reviewed prior to disseminating the report to the subcontractor and other parties.
- For the 3 BBCBC monitoring visits, the BBCBC was unable to provide evidence that the monitoring tools and reports had been subject to supervisory review. In response to our audit inquiry, BBCBC management indicated that monitoring staff completed the monitoring tools and submitted them to the Quality Assurance Director, who reviewed the tools and compiled the results for the report. BBCBC management further indicated that the monitoring reports prepared by the Quality Assurance Director were reviewed by the Chief Operating Officer but that this review had not been documented.
- The monitoring report for one of the 3 FSSNF monitoring visits did not contain the signatures of FSSNF's Chief Financial Officer, Contracts Manager or Director, and Monitoring Lead, evidencing review. In response to our audit inquiry, FSSNF management confirmed that the FSSNF's standard practice was to obtain signatures on the final monitoring report from all three parties to evidence review and approval of the report prior to issuing the report to the contractor. Additionally, FSSNF management indicated that the original report had been signed and submitted to the contractor, but a copy with the signatures had not been maintained by the FSSNF.

Effective contract monitoring evaluates whether the desired service outcomes are being achieved and identifies performance problems as early as possible so that corrective action may be timely initiated. Without adequate documentation of monitoring activities performed in accordance with applicable guidelines and appropriate supervisory review, the CBCs cannot clearly demonstrate that contractual services were provided in accordance with contract terms, contract deliverables were received, or that contract monitoring results were appropriately and completely vetted. Additionally, absent adequate documentation of subcontractor monitoring, the CBCs cannot demonstrate compliance with the terms of their contracts with the Department.

Recommendation: We recommend that CBC management ensure that contract monitoring activities are appropriately performed, reviewed, and documented in accordance with applicable guidelines.

CBC Tangible Personal Property Administration
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The Department established procedures³² that included requirements for the maintenance of detailed property records to accurately and completely account for property acquisitions, inventories, transfers, and disposals of property items purchased by the CBCs with Department-provided funds. As part of our audit, we evaluated CBC policies and procedures, verified the physical existence of selected CBC property, and examined CBC records related to the acquisition and physical inventory of property purchased with Department-provided funds. Our audit procedures disclosed areas where improvements in the CBCs' tangible personal property accountability were needed.

Finding No. 16: Property Records

Department procedures³³ required that, at a minimum, CBC property records include for each item of property³⁴ a description of the property and unique identifier, the manufacturer's serial number, acquisition date and cost, current location, condition, and clear information on any replacement or disposition of the property. Our examination of the six selected CBCs' records related to 85 property items, purchased during the period July 2012 through February 2014 with acquisition costs totaling \$402,215, disclosed that the CBC property records were not always accurate, complete, or timely updated. Specifically:

- Our examination of BBCBC records for 22 property items, with acquisition costs totaling \$16,792, purchased with Department-provided funds or allocated in part to Department-provided funds disclosed that:
 - For 20 property items, including computer equipment, media equipment, and furniture with acquisition costs totaling \$15,652, BBCBC property records did not contain required information, such as the manufacturer serial number, acquisition cost, and current location.
 - A \$570 desktop computer was not recorded in the BBCBC property records until 262 days after receipt.

Additionally, our examination of the BBCBC's property listing as of April 2014 disclosed that a desktop computer and a laptop computer were recorded with the same inventory number in the property records. In response to our audit inquiry, BBCBC management indicated that the deficiencies in the property records were due to staff turnover. Similar instances related to BBCBC records of property purchased with Behavioral Health Managing Entity contract funding were noted in finding No. 11 of our report No. 2015-155.

- Our physical observation of, and examination of FSSNF records for, 44 computer equipment items, with acquisition costs totaling \$33,900, purchased with Department-provided funds disclosed that:
 - One fax server with an acquisition cost of \$1,132 was marked with a property tag but was not recorded in the FSSNF property records. Another 11 items (a tablet computer and 10 laptop computers) with acquisition costs totaling \$8,160 were not recorded in the property records until 41 and 94 days after the computers were received. Additionally, the property records for the laptop computer listed an incorrect

³² Department Operating Procedure CFOP 80-2, *Property Management*, and Department procedures, *Lead Agency Tangible Personal Property Requirements*.

³³ Department procedures, *Lead Agency Tangible Personal Property Requirements*.

³⁴ Department procedure *Lead Agency Tangible Personal Property Requirements* defined property to include equipment, furniture, fixtures, motor vehicles, and other personal property of a non-consumable and non-expendable nature, with an original acquisition cost or estimated fair market value of \$1,000 or more and an expected useful life of 1 year or more. Property also included all computers with an expected useful life of 1 year or more.

description and did not include the acquisition cost or condition, and the property records for the 10 laptop computers did not include the acquisition cost.

- The other 32 items, laptop computers, purchased in July 2013 with acquisition costs totaling \$24,608, were not recorded or were not recorded timely in the FSSNF property records. Specifically, 4 of the laptop computers had not been recorded in the property records as of June 2014, while the other 28 laptop computers had not been recorded in the property records until 99 days after receipt. In addition, the acquisition costs for these 28 laptop computers were not included in the property records.

In response to our audit inquiry, FSSNF management indicated that the deficiencies in the property records were due to a lack of communication between the staff assigned to receive and tag the property items and the staff responsible for recording the items into the property records.

- Our examination of St. Johns property records for 4 property items (fingerprint scanning equipment and three motor vehicles), with acquisition costs totaling \$70,587 and purchased during the period July 2012 through February 2014 disclosed that:

- St. Johns was not able to demonstrate that the three motor vehicles had been timely added to the property records because the date of addition was not recorded. We also found that the acquisition costs and serial numbers were also not recorded in the property records for the three vehicles. In addition, for two of the motor vehicles, the property records listed the incorrect vehicle model.
- The fingerprint scanning equipment had not been included in the St. Johns property records as of June 11, 2014.

In response to our audit inquiry, St. Johns management indicated that the motor vehicle property records did not include a field for property record addition, acquisition costs, and serial numbers. In addition, St. Johns management indicated that the fingerprint scanning equipment was not included in the property records due to employee oversight.

Without effective tangible personal property controls, the risk is increased that the CBCs will not have the accurate and up-to-date information needed to appropriately safeguard and accurately account for all applicable property items purchased with Department-provided funds. In addition, absent accurate and complete property records, the CBCs cannot demonstrate compliance with applicable Department procedures.

Recommendation: We recommend that CBC management enhance controls to ensure that all required property information is timely and accurately recorded for all applicable property items.

Finding No. 17: Property Inventory

Department policies and procedures³⁵ required each CBC to annually conduct an inventory of all property purchased with Department-provided funds and submit a complete and accurate listing of the property to the Department. For each of the six selected CBCs, we examined the CBC's 2012-13 fiscal year inventory records and noted that:

- BBCBC staff had performed a physical inventory utilizing the BBCBC's inventory listing; however, the inventory procedures performed were not sufficient to ensure appropriate accountability for BBCBC property items purchased with Department-provided funds. Specifically:
 - BBCBC management did not adequately separate property records custody and inventory duties, as one BBCBC employee was responsible for both maintaining the property records and conducting the annual inventory.

³⁵ Department Operating Procedure CFOP 80-2, *Property Management*, and Department procedures, *Lead Agency Tangible Personal Property Requirements*.

- BBCBC staff had not verified that all the property items in BBCBC accounting or property records had been included on the inventory listing used to complete the physical inventory. Our comparison of the BBCBC's accounting records to the inventory listing identified seven property purchases totaling \$5,326 made during the period November 2012 and June 2013 with Department-provided funds that were not included on the inventory listing.
- The inventory listing identified 21 property items, including laptop and desktop computers, that BBCBC staff had not located during the physical inventory and, according to BBCBC management, the circumstances regarding these 21 missing items had not been researched or resolved.
- In addition, we selected and attempted to inspect ten property items that had been identified on the BBCBC's inventory listing as verified. As we could not locate four of the items (a laptop computer and three desktop computers), we requested BBCBC staff assistance. In response to our audit request, BBCBC staff indicated that they were also unable to locate the computers. According to BBCBC management, the computers may have been transferred to a provider, but documentation of the property transfer was not available and the property records had not been updated to reflect a transfer.

In response to our audit inquiry, BBCBC management indicated that the property inventory deficiencies were due to staff turnover.

- ChildNet staff had performed a physical inventory utilizing ChildNet's inventory listing; however, ChildNet staff had not verified that all the property items in ChildNet's accounting or property records had been included on the inventory listing used to complete the physical inventory. Our comparison of the inventory listing with ChildNet property records identified 55 items of computer equipment, with acquisition costs totaling \$89,968, that had been excluded from the inventory listing. In response to our audit inquiry, ChildNet management indicated that the 2012-13 fiscal year inventory was the first inventory performed by ChildNet at the Palm Beach County location and ChildNet staff were under significant time constraints to finalize the transition from the previous CBC and complete the year-end inventory.
- ECA staff had performed a physical inventory utilizing ECA's inventory listing; however, ECA staff had not verified that all the property items in ECA's accounting or property records had been included on the inventory listing used to complete the physical inventory. Our comparison of the inventory listing to the ECA property records disclosed that, of the 78 items included in the property records, only 15 had been included on the inventory listing. In response to our audit inquiry, ECA management indicated that they were in the process of ensuring that all ECA items are recorded on the ECA inventory listing.
- FSSNF staff had performed a physical inventory; however, FFSNF staff had not verified that all property items in FSSNF's accounting or property records had been included on the inventory listing used to complete the physical inventory. In response to our audit inquiry, FSSNF management indicated that a match had not been performed due to staff turnover. However, we also noted that a comparison of the physical inventory results to the accounting or property records would be difficult as the physical inventory, accounting, and property records did not include any comparable data elements.
- St. Johns management could not provide the annual inventory certification form, evidence of the items located during the physical inventory, or documentation demonstrating that any missing items or records differences were properly investigated and resolved. In response to our audit inquiry, St. Johns management indicated that the inventory had not been completed for the 2012-13 fiscal year due to employee oversight. We also noted that St. Johns did not adequately separate inventory duties, as one St. Johns employee was responsible for maintaining the property records and conducting the annual inventory. According to St. Johns management, two employees are now required to be present during the annual inventory.

Without reconciling the inventory listing used to perform the annual physical inventory to the accounting and property records, the CBCs cannot ensure that the inventory listing is accurate and complete. Absent accurate and complete inventory listings, all the CBC property items may not be properly accounted for and the value of the physical inventory results as assurance that the accounting and property records properly reflect the existence of the property is diminished. Additionally, ensuring that annual physical inventories are properly performed by persons

independent of the property-record keeping function enhances the CBCs ability to properly safeguard and maintain accountability over property.

Recommendation: We recommend that CBC management ensure that the results of annual physical inventories are properly reconciled to CBC accounting and property records. We also recommend that annual physical inventories be properly conducted and documented in accordance with Department requirements and by persons independent of the property record-keeping function.

OBJECTIVES, SCOPE, AND METHODOLOGY

The Auditor General conducts operational audits of governmental entities to provide the Legislature, Florida's citizens, public entity management, and other stakeholders unbiased, timely, and relevant information for use in promoting government accountability and stewardship and improving government operations.

We conducted this operational audit from January 2014 through February 2015 in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

This operational audit focused on oversight of foster care and related services by the Department of Children and Families (Department) and 6 of the State's 20 Community-Based Care Lead Agencies (CBCs). The overall objectives of the audit were:

- To evaluate management's performance in establishing and maintaining internal controls, including controls designed to prevent and detect fraud, waste, and abuse, and in administering assigned responsibilities in accordance with applicable laws, administrative rules, contracts, grant agreements, and guidelines.
- To examine internal controls designed and placed in operation to promote and encourage the achievement of management's control objectives in the categories of compliance, economic and efficient operations, the reliability of records and reports, and the safeguarding of assets, and identify weaknesses in those internal controls.
- To identify statutory and fiscal changes that may be recommended to the Legislature pursuant to Section 11.45(7)(h), Florida Statutes.

This audit was designed to identify, for those programs, activities, or functions included within the scope of the audit, deficiencies in management's internal controls, instances of noncompliance with applicable governing laws, rules, or contracts, and instances of inefficient or ineffective operational policies, procedures, or practices. The focus of this audit was to identify problems so that they may be corrected in such a way as to improve government accountability and efficiency and the stewardship of management. Professional judgment has been used in determining significance and audit risk and in selecting the particular transactions, legal compliance matters, records, and controls considered.

As described in more detail below, for those programs, activities, and functions included within the scope of our audit, our audit work included, but was not limited to, communicating to management and those charged with governance the scope, objectives, timing, overall methodology, and reporting of our audit; obtaining an understanding of the program, activity, or function; exercising professional judgment in considering significance and audit risk in the design and execution of the research, interviews, tests, analyses, and other procedures included in the audit methodology; obtaining reasonable assurance of the overall sufficiency and appropriateness of the evidence gathered

in support of our audit's findings and conclusions; and reporting on the results of the audit as required by governing laws and auditing standards.

Our audit included the selection and examination of transactions and records. Unless otherwise indicated in this report, these transactions and records were not selected with the intent of statistically projecting the results, although we have presented for perspective, where practicable, information concerning relevant population value or size and quantifications relative to the items selected for examination.

An audit by its nature, does not include a review of all records and actions of agency management, staff, and vendors, and as a consequence, cannot be relied upon to identify all instances of noncompliance, fraud, abuse, or inefficiency.

In conducting our audit we:

- Obtained an understanding of the Department's policies, procedures, monitoring plan, contract performance measures, and controls related to the CBCs to evaluate whether they were adequate and designed to reasonably ensure compliance with significant governing laws and rules.
- Requested and obtained expenditure detail; number of employees; upper management's salary, bonus, and benefit package information; and number of clients from each CBC to compile and evaluate information related to CBC operations.
- Examined Department documentation related to two CBC fiscal monitoring reviews, eight CBC on-site monitoring visits, and four CBC performance monitoring reviews conducted during the period July 2012 through February 2014 to assess the sufficiency of Department monitoring activities.
- Evaluated the reasonableness of CBC performance measures established by the Department and examined the provisions in the CBC contracts to determine whether the contracts contained all applicable performance measures.
- Examined Department documentation for the six CBC contracts executed during the period July 2012 through February 2014 to determine whether CBC contracts were properly awarded in accordance with applicable laws, rules, and regulations.
- Examined Department documentation for the four CBC contracts terminated during the period July 2012 through February 2014 to determine whether terminated CBC contracts were appropriately closed out, and whether all Department funds were properly accounted for.
- From the 68,433 payments, totaling \$1,113,437,352, made to the CBCs during the period July 2012 through February 2014, examined Department documentation for 60 selected payments, totaling \$7,128,179, to determine whether the payments were properly paid and authorized, were supported by sufficient documentation evidencing that the related services had been provided, and were correctly recorded in the accounting records.
- Reviewed documentation related to 4 of the 40 reconciliations between Florida Safe Families Network (FSFN) data and CBC Monthly Actual Expenditure Reports performed by the Department for the months of January and February 2014 to determine whether the reconciliations had been properly completed, any discrepancies had been resolved, and the reconciliations had been subject to supervisory review.
- For the 20 CBCs, analyzed administrative cost data for the period July 2012 through December 2013 to evaluate the reasonableness and consistency of administrative costs among the CBCs.
- For the six CBCs at which we conducted on-site audit field work, we also:
 - Reviewed and evaluated the design of each CBC's policies and procedures related to human resources, expenditures, and other administrative activities and functions.
 - Evaluated the appropriateness of FSFN access privileges for 107 of the 2,878 CBC user accounts with access to selected FSFN functions during the period July 2012 through February 2014. Additionally,

determined whether CBC management periodically reviewed FSN user access privileges to ensure the continued appropriateness of the privileges.

- Evaluated the timeliness of the cancellation of FSN access privileges for 30 of the 109 CBC employees who separated from employment during the period July 2012 through February 2014.
- Examined CBC records for 75 administrative payments, totaling \$445,757, to determine whether payments made for travel, rent, supplies, and other administrative goods and services were properly supported by adequate documentation, reasonable, and made in accordance with State laws and rules.
- Evaluated the allocation of costs related to real property purchases made by the BBCBC during the 2007-08 through 2012-13 fiscal years.
- From the 165,445 contract payment transactions totaling \$234,236,221 and made during the period July 2012 through April 2014, selected and examined CBC records for 77 contract payments, totaling \$2,648,442, to determine whether the contract payments were properly supported by adequate documentation, reasonable, and made in accordance with contract terms.
- Reviewed six year-end reconciliations of actual amounts expended by the CBCs to the amounts paid by the Department to determine if the amounts were properly supported by CBC accounting records, and for any surplus or deficit reflected on the reconciliation, whether the CBC submitted an invoice or payment, as appropriate.
- Reviewed employment contracts for 54 CBC employees (11 at the BBCBC, 10 at ChildNet, 10 at the ECA, 5 at the FSSNF, 10 at Our Kids, and 8 at St. Johns) to determine whether the contracts contained provisions for unusual or potentially excessive benefits; the employee met the education, experience, and background requirements for their position; and whether termination provisions in the employment contract were reasonable.
- Analyzed CBC personnel files and financial data to verify whether salary payments, totaling \$1,945,413, made during December 2013 had been made to bona fide CBC employees.
- Examined CBC documentation for 98 salary payments, totaling \$493,574, made during the period July 2012 through February 2014 to determine whether the payments were properly calculated, approved, and supported by authorized and sufficient time records.
- Obtained an understanding of the CBCs' internal controls over tangible personal property and evaluated whether CBC procedures and records were adequate to ensure and demonstrate the proper acquisition, control, use, and disposition of tangible personal property.
- Determined whether the CBCs had performed a physical inventory of tangible personal property during the 2012-13 fiscal year in accordance with Department procedures.
- Reviewed CBC property records for evidence of property items of an unusual or suspect nature.
- Examined CBC property records for 85 property items (22 at the BBCBC, 5 at ChildNet, 5 at the ECA, 44 at the FSSNF, 5 at Our Kids, and 4 at St. Johns), with acquisition costs totaling \$402,215, purchased during the period July 2012 through February 2014 to determine whether the CBCs had appropriately recorded the items in the property records in accordance with Department procedures.
- Selected 35 of the 4,838 items recorded in the CBCs' property records and attempted to physically observe and verify the property items' existence. The 35 selected items included 10 at the BBCBC, 5 at ChildNet, 5 at the ECA, 5 at the FSSNF, 5 at Our Kids, and 5 at St. Johns.
- Reviewed CBC policies and procedures and made inquiries with CBC personnel regarding the monitoring of contractual requirements, the use of monitoring documents, and timing of monitoring visits and evaluated the adequacy of the design of established policies and procedures.
- Examined CBC documentation for 18 (3 for each selected CBC) of the 107 subcontractor monitoring visits made during the period July 2012 through February 2014 to determine whether the documentation

demonstrated that contract terms were monitored, monitoring tools were complete, monitoring reports reflected issues identified through monitoring tools, and whether the CBCs timely followed up on all issues identified in monitoring reports. In addition, we performed procedures to verify that subcontractors were not related parties.

- Reviewed CBC policies and procedures and made inquiries with CBC personnel regarding how entries are made within the accounting system and FSFN, who performs those entries, and when an entry would be made, and evaluated the adequacy of the design of established policies and procedures.
 - Examined CBC case files for 98 clients of the 114,628 clients with payments recorded in FSFN during the period July 2012 through February 2014 to determine whether data in FSFN was complete, accurate, and timely updated.
 - Obtained an understanding of the CBC's reconciliation process between each CBC's accounting system and FSFN and evaluated for seven reconciliations performed during the period July 2012 through February 2014 whether the reconciliations were complete, supported, and any discrepancies had been resolved.
- Observed, documented, and evaluated the effectiveness of selected administrative processes and procedures related to the Department's administration of the State Purchasing Card Program, travel expenditures, and the Florida Single Audit Act.
- Communicated on an interim basis with applicable officials to ensure the timely resolution of issues involving controls and noncompliance.
- Performed various other auditing procedures, including analytical procedures, as necessary, to accomplish the objectives of the audit.
- Prepared and submitted for management response the findings and recommendations that are included in this report and which describe the matters requiring corrective actions.

AUTHORITY

Section 11.45, Florida Statutes, requires that the Auditor General conduct an operational audit of each State agency on a periodic basis. Pursuant to the provisions of Section 11.45, Florida Statutes, I have directed that this report be prepared to present the results of our operational audit.

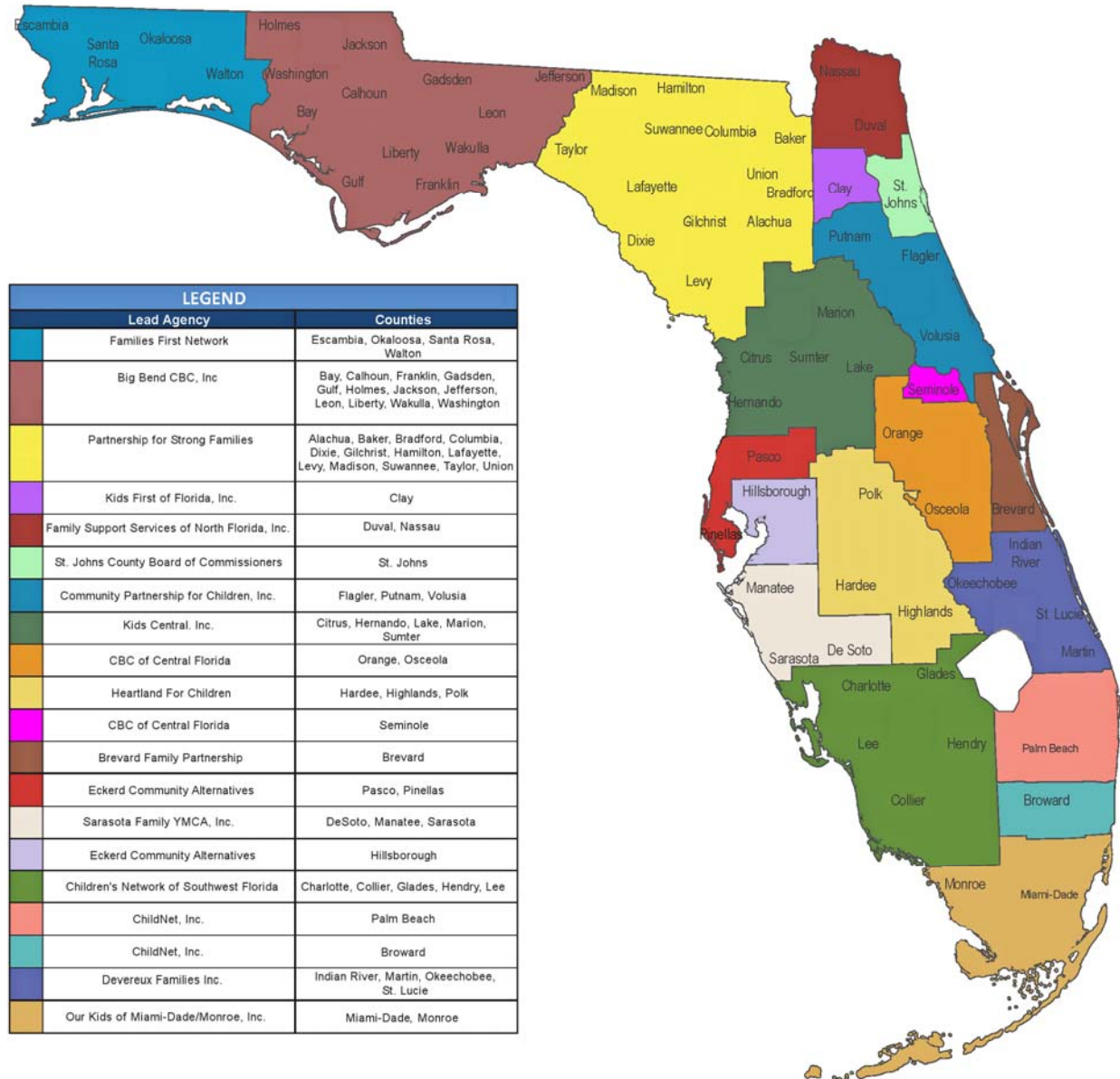


David W. Martin, CPA
Auditor General

MANAGEMENT'S RESPONSES

In letters dated March 11, 2015, through March 23, 2015, the Secretary of the Department and management of the Community-Based Care Lead Agencies provided responses to our audit findings and recommendations. The responses are included as **EXHIBIT D**.

EXHIBIT A COMMUNITY-BASED CARE LEAD AGENCIES



Source: Department's Web site.

EXHIBIT B
EXPENDITURES AND NUMBER OF EMPLOYEES AND CLIENTS SERVED BY CBC

Community-Based Care Lead Agency (CBC)	Total Expenditures for the Period July 2012 Through December 2013	As of December 2013, Total Number of	
		CBC Employees	Clients Being Served
Big Bend Community Based Care, Inc. ^a	\$ 49,300,936	55	1,724
Brevard Family Partnership	31,537,097	33	1,028
ChildNet, Inc. – Broward County	93,953,159	404	3,124
ChildNet, Inc. – Palm Beach County	80,071,198	109	2,557
Children's Network of Southwest Florida, LLC	43,653,472	30	1,740
Community Based Care of Central Florida, Inc. – Seminole County ^b	17,037,422	93	475
Community Based Care of Central Florida, Inc. – Orange County and Osceola County ^b	74,941,626		2,613
Community Partnership for Children	44,978,257	172	1,945
Devereux Families, Inc. ^c	4,192,041	108	1,312
Eckerd Community Alternatives – Hillsborough County	97,455,293	88	4,193
Eckerd Community Alternatives – Pasco County and Pinellas County	90,347,993	93	4,034
Families First Network	57,867,918	301	2,512
Family Support Services of North Florida	76,008,889	132	3,628
Heartland for Children, Inc.	62,595,966	76	2,292
Kids Central, Inc.	68,696,348	113	2,014
Kids First of Florida, Inc.	10,473,085	62	405
Our Kids of Miami-Dade/Monroe, Inc.	304,466,813	134	5,065
Partnership for Strong Families, Inc.	42,542,296	93	1,969
St. Johns County Board of County Commissioners Family Integrity Program	7,055,413	39	261
Sarasota Family YMCA, Inc.	37,622,880	70	1,628

^a Big Bend Community Based Care, Inc. (BBCBC) served as both a CBC and a behavioral health managing entity. At December 31, 2013, the BBCBC had a total of 60 employees, 20 of whom were assigned administrative responsibilities, including responsibilities that related to both CBC and managing entity activities. The BBCBC served a total of 41,396 clients in December 2013, by providing foster care and related services to 1,724 clients and substance abuse and mental health services to 39,672 clients (based on the unduplicated counts of client data numbers for a specified date range).

^b Community Based Care of Central Florida, Inc. (CBCCF) has two CBC contracts with the Department. In response to our audit request, CBCCF personnel provided the total number of CBCCF employees, rather than the number of employees who perform work related to each CBC contract.

^c The Devereaux Families, Inc. contract was not effective until November 1, 2013, therefore, only 2 months of expenditures are shown.

Source: FSFN and CBC records and survey responses from CBC personnel.

EXHIBIT C
CBC EXECUTIVE COMPENSATION
(NOT INCLUDING HEALTH, DENTAL, AND LIFE INSURANCE BENEFITS)

Lead Agency	Annual Salary as of April 30, 2014	Percent of Annual Salary Funded by the CBC's Contract with the Department	Bonuses Awarded During the Period July 2013 through February 2014	Other Cash Perquisites	
				Type	Amount
Chief Executive Officers (CEOs)					
Big Bend Community Based Care, Inc. ^a	\$ 350,000	82.20%	\$ -		
Brevard Family Partnership	162,288	100.00%	-	Annual Cell Phone Allowance	\$ 2,016.00
ChildNet, Inc. - Broward County and Palm Beach County ^b	216,300	100.00%	2,287		
Children's Network of Southwest Florida, LLC	154,000	100.00%	-		
Community Based Care of Central Florida, Inc. ^b	99,000	96.85%	-	Monthly Cell Phone Allowance	21.37
Community Partnership for Children	132,000	100.00%	-	Annual Cell Phone Allowance	671.34
Devereux Families, Inc.	130,000	100.00%	-		
Eckerd Community Alternatives- Hillsborough County, Pasco County, and Pinellas County ^c	400,000	15.50%	140,000	Monthly Car Allowance Monthly Cell Phone Allowance	549.00 55.00
Families First Network	170,019	100.00%	-		
Family Support Services of North Florida, Inc.	178,400	99.40%	16,000	Monthly Car Allowance	1,000.00
Heartland for Children, Inc.	138,814	100.00%	-		
Kids Central, Inc.	140,000	100.00%	-	Monthly Cell Phone Allowance	84.00
Kids First of Florida, Inc.	100,000	50.00%	-		
Our Kids of Miami-Dade/Monroe, Inc. ^d	189,779	100.00%	38,672	Monthly Car Allowance	500.00
Partnership for Strong Families, Inc.	145,000	100.00%	-		
St. Johns County Board of County Commissioners Family Integrity Program	78,120	67.00%	-		
Sarasota Family YMCA, Inc.	215,000	47.79%	-	Monthly Car Allowance	267.00
Chief Operating Officers (COOs) ^e					
Big Bend Community Based Care, Inc.	142,889	77.24%	-		-
Brevard Family Partnership	89,110	100.00%	-	Annual Cell Phone Allowance	800.00
Children's Network of Southwest Florida, LLC	95,040	100.00%	-		-
Community Based Care of Central Florida, Inc.	92,500	96.85%	-	Monthly Cell Phone Allowance	36.00
Community Partnership for Children	95,000	100.00%	-	Annual Cell Phone Allowance	671.34
Devereux Families, Inc.	100,000	15.00%	-		-
Family Support Services of North Florida, Inc.	131,250	99.40%	-		-
Heartland for Children, Inc.	95,000	100.00%	-		-
Kids Central, Inc.	100,516	100.00%	-	Monthly Cell Phone Allowance	18.75
Our Kids of Miami-Dade/Monroe, Inc.	135,000	100.00%	-		-
Sarasota Family YMCA, Inc.	105,000	100.00%	500		-
Chief Financial Officers (CFOs) ^f					
Big Bend Community Based Care, Inc.	142,889	82.20%	-		
Brevard Family Partnership	85,000	94.30%	-	Annual Cell Phone Allowance	800.00
ChildNet, Inc. - Broward County and Palm Beach County	150,000	100.00%	1,385		
Children's Network of Southwest Florida, LLC	88,224	100.00%	-		
Community Based Care of Central Florida, Inc.	87,500	96.85%	-	Monthly Cell Phone Allowance	36.00
Community Partnership for Children	90,000	100.00%	-	Annual Cell Phone Allowance	570.00
Devereux Families, Inc.	100,433	0.00%	-		
Eckerd Community Alternatives- Hillsborough County, Pasco County, and Pinellas County ^c	180,000	31.00%	-	Monthly Cell Phone Allowance	55.00
Family Support Services of North Florida	115,000	99.40%	-		
Heartland for Children, Inc.	115,118	100.00%	-		
Kids Central, Inc.	115,878	99.67%	-		
Kids First of Florida, Inc.	85,232	100.00%	-		
Our Kids of Miami-Dade/Monroe, Inc.	132,500	100.00%	12,625		
Partnership for Strong Families, Inc.	97,535	100.00%	-		
Sarasota Family YMCA, Inc.	120,000	51.50%	500		

^a Big Bend Community Based Care, Inc. (BBCBC) served as both a community-based care lead agency and a behavioral health managing entity. BBCBC executive staff oversee activities related to both contracts with the Department.

^b ChildNet, Inc. and Community Based Care of Central Florida, Inc. each have two CBC contracts with the Department and their executive staff oversee activities related to both contracts.

^c Eckerd Community Alternatives is a registered name of Eckerd Youth Alternatives, Inc., a nonprofit organization that operates in 11 states and the District of Columbia. The salaries of the CEO and CFO reflect the larger service area.

^d The Our Kids of Miami Dade/Monroe, Inc. CFO salary is as of February 28, 2014, as the position was vacant on April 30, 2014.

^e ChildNet, Inc.; Eckerd Community Alternatives; Families First Network; Kids First of Florida, Inc.; Partnership for Strong Families, Inc.; and St. Johns County Board of County Commissioners Family Integrity Program (St. Johns) did not employ COOs.

^f Families First Network and St. Johns did not employ CFOs.

Source: CBC records and survey responses provided by CBC personnel.

EXHIBIT D
MANAGEMENT'S RESPONSES

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EXHIBIT D
MANAGEMENT'S RESPONSES (CONTINUED)



State of Florida
Department of Children and Families

Rick Scott
Governor

Mike Carroll
Secretary

March 17, 2015

Mr. David W. Martin
Auditor General
G74 Claude Pepper Building
111 West Madison Street
Tallahassee, FL 32399-1450

Dear Mr. Martin:

Thank you for your February 20 list of preliminary findings and recommendations of your report to be prepared on the Oversight of Foster Care and Related Services at the Department of Children and Families and Selected Community-Based Care Lead Agencies administered by the State of Florida for the fiscal year ended June 30, 2014.

The Department generally concurs with the findings of your report. Enclosed are the Department's responses to the specific recommendations you provided. If you or your staff have any questions, please contact Mr. Jerry Chesnutt, Director of Auditing, or Mr. Elton Jones, Senior Management Analyst II, at (850) 488-8722.

If I may be of further assistance, please let me know.

Sincerely,

Mike Carroll
Secretary

Enclosures

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EXHIBIT D
MANAGEMENT'S RESPONSES (CONTINUED)

2

DCF Response to CBC Report

Finding No. 1: *The Department did not always adequately conduct, document, review, and report the results of CBC monitoring.*

Recommendation: We recommend that Department management update the COU monitoring tools to ensure that all contractual requirements are addressed. Additionally, to ensure the adequacy and timeliness of the fiscal monitoring, we recommend that Department management ensure fiscal monitoring procedures are established to address, among other things, the sampling procedures to be used, the appropriate completion of monitoring tools, and an independent review of monitoring documentation and reports.

The Department will ensure contractual requirements related to areas of greatest risk are included in the Contract Oversight Unit (COU) monitoring scope and tools for state fiscal year 2015-2016 by June 30, 2015. In addition, the Department will establish written formal procedures for fiscal monitoring to ensure the adequacy and timeliness of the fiscal monitoring process by September 30, 2015.

Finding No. 2: *The Department did not conduct overall reconciliations between the expenditure data maintained in the Florida Safe Families Network (FSFN), Florida Accounting Information Resource Subsystem (FLAIR), and Grants and Other Revenue Allocation and Tracking System (GRANTS). Such reconciliations are important to ensure that the data used for budgeting, tracking client services, and the determination of Federal reimbursement amounts is accurate and complete. Additionally, Department procedures for reconciling amounts reported on the CBCs' Monthly Actual Expenditure Reports to FSFN client payment data need enhancement to ensure that payments made to the CBCs and recorded in FLAIR are complete, accurate, and valid.*

Recommendation: We recommend that Department management establish procedures requiring periodic reconciliations of FSFN, FLAIR, and GRANTS data. We also recommend that Department management enhance the FSFN to CBC Monthly Actual Expenditure Reports reconciliation procedures to ensure that payments made to the CBCs and recorded in FLAIR are complete, accurate, and valid. Department management should ensure that documentation of the supervisory review of all reconciliations performed is appropriately maintained.

The Department will work with CBCs to develop a process to improve reconciliations between payment information in FSFN to CBC Monthly Expenditure Reports which is the basis for expenditures in FLAIR. This approach has to balance the current method of payment to CBCs required by section 409.990(1), Florida Statutes, and the normal timing differences between CBC service delivery, CBC payment to providers and CBC reporting to the Department.

Finding No. 3: *The CBCs could not always demonstrate that contract payments were properly supported by adequate documentation or made in accordance with applicable contract terms.*

Recommendation: We recommend that CBC management ensure that contract payments are adequately supported and made in accordance with applicable contract terms.

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EXHIBIT D
MANAGEMENT'S RESPONSES (CONTINUED)

3

The Department will develop written policies, procedures and tools for monitoring CBC compliance with their contract payments to providers based upon the terms of the contracts and verification of service delivery, by September 30, 2015.

Finding No. 4: *CBC payments for travel and food were not always adequately supported or made in accordance with State law and rules.*

Recommendation: *We recommend that CBC management ensure that administrative payments are adequately supported and made in accordance with applicable State laws and rules.*

CBCs are contractually and statutorily required to comply with section 112.061, Florida Statutes.

Finding No. 5: *Our audit identified expenditures for food and entertainment made by Our Kids and reimbursed by the Department that were not permitted by State law and Department policy.*

Recommendation: *We recommend that Our Kids management ensure State funds are used only for expenditures that are necessary, reasonable, and allowable under State law and Department policy. In addition, we recommend that Our Kids, in consultation with the Department, make appropriate funding source adjustments for the unallowable costs related to the graduation event.*

Although section 409.1671(13), Florida Statutes, is no longer in effect, section 409.992(2), Florida Statutes is and it says substantially the same thing. CBC's are not permitted to pay for food and entertainment except under specific delineated circumstances.

Finding No. 6: *The BBCBC used Department funds to pay mortgage interest related to the purchase of real property, contrary to Department guidelines.*

Recommendation: *We recommend that the BBCBC discontinue allocating mortgage interest expense to the funds provided by the Department. We also recommend that the BBCBC, in consultation with the Department, make appropriate funding source adjustments for costs, other than allowable depreciation expense, related to the real property purchased.*

It would appear (under the federal provisions) that mortgage interest is an allowable expense, assuming that BBCBC conducted the required analysis prior to the purchase of the land/buildings and provided that they only used federal dollars and not state dollars to pay the interest.

DCF Guidelines state that:

All costs incurred should be charged to the appropriate Federal funds as allowable. Necessary and reasonable costs not chargeable to Federal funds should be charged to state funds as provided under the contracts and reported as such. Any state funded costs, which do not constitute matching funds for Federal funds, constitute 'state financial assistance' under the provisions of section 215.97, Florida Statutes, and are governed by guidance contained in this policy.

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EXHIBIT D
MANAGEMENT'S RESPONSES (CONTINUED)

4

The Department has requested additional information regarding the BBCBC's land/building purchases so a thorough examination of the transactions can be conducted.

Finding No. 7: *CBC salary payments and leave balances were not always supported or calculated in accordance with established CBC policies or State law.*

Recommendation: We recommend that CBC management enhance controls to ensure that salary payments, including payments for leave and bonuses, are properly authorized, accurately calculated, adequately supported, and made in accordance with State law. We also recommend that BBCBC management establish procedures related to bonuses and severance pay, ensure that leave records are accurately maintained, and require that management involved in personnel evaluations, including merit pay decisions, be independent of, and have no conflicts of interest related to, the personnel subject to review. In consultation with the Department, BBCBC management should also make appropriate funding source adjustments for bonuses paid to the CEO.

All payment documentation including timesheets, leave balances etc. should be properly recorded and accurately reflected to ensure that all spending is allowable.

The Department will work with BBCBC to ensure payments are being made from the appropriate funding sources.

Finding No. 8: *The CBCs did not always document that individuals employed in management positions met minimum education or licensure requirements or, alternatively, adequately document the basis for waiving such requirements.*

Recommendation: We recommend that CBC management ensure that, prior to hire, an applicant for employment meets the education requirements applicable to the position. When other qualifications and experience are considered acceptable in lieu of education requirements, the CBCs should adequately document this consideration in the personnel file as justification for waiving the requirements. Additionally, given that contingent criteria are established to ensure employees have the qualifications necessary to effectively perform their jobs, Our Kids should ensure that employees timely meet the established criteria and limit the number of extensions granted.

The Department proposed a rule in the Florida Administrative Code to strength the expectation associated with employee hiring to include management positions. A proposed draft of Florida Administrative Rule, Chapter 65C-15 was published in the Florida Administrative Register on February 18, 2015. The updated version of the rule contains educational and experience requirements for child placing agency personnel that must be met as prescribed in section 402.402(1), Florida Statutes. Additionally, a "minimum years of experience" provision has been added. Successful promulgation of this rule will eliminate the current exemption/waiver variance allowable under current administrative rule Chapter 65C-15.017, Florida Administrative Code.

Finding No. 9: *Controls over access to FSN need improvement.*

Recommendation: We recommend that the CBCs limit FSN user access privileges to only those access privileges necessary for the user's assigned job responsibilities. Additionally, we recommend that the CBCs maintain documentation supporting the user access privileges authorized by management and perform, and document, periodic reviews of the continued appropriateness of assigned FSN access privileges. Additionally, the Department should ensure that FSN security profiles are designed to promote an appropriate separation of duties and that the approval of assigned security profiles be documented on FSN Forms.

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EXHIBIT D
MANAGEMENT'S RESPONSES (CONTINUED)

5

In conjunction with the Office of Child Welfare, FSC IT is facilitating an access control workgroup to consider the adequacy, understanding, and uniformity of the access control policy and procedures regarding FSFN. Also in conjunction with the Office of Child Welfare, FCS IT is pursuing a Legislative Budget Request for funding beginning July 1, 2015 to support an assessment of Department and Community Based Care organization compliance with federal, state, HIPAA, and social security rules for protecting personal information; identify any needed DCF policy changes; and define the roadmap for bringing the agency and its providers into compliance with these policies and regulations, if applicable. The funding will also support quarterly monitoring of the FSFN users to verify correctly assigned security profiles.

As part of this effort, the Department and CBCs will evaluate the effectiveness of existing training and develop new training if necessary to limit FSFN user access privileges to only those access privileges necessary for the user's assigned job responsibilities as well as maintain documentation supporting the user access privileges authorized by management.

Anticipated completion date: June 30, 2016, to include the legislative process and allow for the CBC assessment and quarterly monitoring if funded.

Finding No. 10: *FSFN user access privileges were not always timely deactivated upon a CBC employee's separation from employment.*

Recommendation: To minimize the risk of compromising FSFN data and IT resources, we recommend that CBC management enhance procedures to timely request the Department to deactivate FSFN access privileges upon a user's CBC employment termination. In addition, we recommend that the Department consider revising the CBC Information Systems Requirements to require notification of all employment terminations within 1 business day.

The Department and CBCs will evaluate the effectiveness of existing training and develop new training if necessary to ensure timely notification to the Department of employee termination and user access remained active following termination as well as timely reassignment of existing case work prior to notification of termination. The Department and CBCs will review the current contractual notification requirement upon employee termination of two business days to determine whether a one business day notification requirement will be incorporated into the next CBC contract requirements.

Anticipated completion date: June 30, 2016, to allow for completion of the evaluation and any changes incorporated in the individual CBC contracts.

Finding No. 11: The CBCs and the Department did not always ensure that client data was entered in FSFN accurately or timely.

Recommendation: We recommend that CBC and Department management strengthen controls over FSFN data entry to ensure all basic client information is entered accurately and timely.

The Department of Children and Families recognizes the importance of entering accurate, complete and timely information into FSFN. As the single system of record for Florida's Child Welfare system, complete information is necessary to inform decision makers from the program level of the organization to individual

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EXHIBIT D
MANAGEMENT'S RESPONSES (CONTINUED)

6

child level decisions. To accomplish this objective, the Department will partner with CBC agencies to assess current controls in place to ensure accurate and timely entry of information into FSN to identify and implement improvements needed to strengthen data integrity.

Finding No. 12: *Payments recorded in FSN by Our Kids and its subcontractors were not always accurate, or were made for services that were not actually received, and Our Kids did not always timely detect the payment errors or make necessary corrections.*

Recommendation: We recommend that Our Kids management ensure that FSN client payment data is accurate and that payments only be made for services actually provided.

The Department will work with CBCs to develop a process to improve reconciliations between payment information in FSN to CBC Monthly Expenditure Reports which is the basis for expenditures in FLAIR. This approach has to balance the current method of payment to CBCs required by section 409.990(1), Florida Statutes, and the normal timing differences between CBC service delivery, CBC payment to providers and CBC reporting to the Department.

Finding No. 13: *The CBCs did not always ensure that differences identified during reconciliations between FSN data and CBC accounting records were researched and timely resolved.*

Recommendation: We recommend that the CBCs ensure that differences identified during FSN to accounting records reconciliations are researched and resolved timely.

At the beginning of state fiscal year 2014-15, the Department developed a standardized FSN to Monthly Actual Expenditure Report template with written guidance for CBCs to use in completing their reconciliations. Training was provided to CBCs and the Department contract managers via webcast in October 2014, and technical assistance was provided during on-site visits to CBCs during fiscal year 2014-15. The FSN report used by CBCs to perform reconciliations requires modification to improve the accuracy of information provided which will improve the timeliness of the reconciliation process. A change order has been requested.

Finding No. 14: The CBCs' subcontractor monitoring efforts need improvement.

Recommendation: We recommend that CBC management ensure that monitoring activities, including appropriate follow-up activities, are appropriately conducted and documented. Effective monitoring activities should evaluate subcontractor compliance with all the contract terms; determine whether foster care and related services were provided to individuals in accordance with applicable laws, regulations, and contract terms; and include a follow-up on noted deficiencies to ensure timely corrective actions are taken. If timely corrective actions are not taken for persistent noncompliance, the CBCs should assess appropriate penalties.

As a component of the subcontract monitoring process, the Department requires CBCs, by contract, to have their own contract monitoring policies. Specific guidelines are located at:

http://www.dcf.state.fl.us/programs/cbc/docs/2011_12/CBCSubcontractingGuidelines%202012-10-26.pdf

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EXHIBIT D
MANAGEMENT'S RESPONSES (CONTINUED)

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Currently, the Department's Contract Oversight Unit (COU) monitors CBC subcontract documents annually, to ensure all required terms and conditions are included. The CBCs are required by contract to have their own policies and procedures for subcontract monitoring. By July 1, 2015, the Department will expand the scope of COU monitoring to include evaluation of each CBC's compliance with its own policies and procedures for subcontract monitoring and corrective action plans. By July 1, 2016, to strengthen the CBC monitoring policies, the Department will amend CBC contracts to include language that CBC policies and procedures for monitoring must address the same requirements identified for Department monitoring in section 402.7305(4), F.S.

Finding No. 15: The CBCs did not always ensure that contract monitoring activities were appropriately performed, reviewed, and documented in accordance with applicable guidelines.

Recommendation: We recommend that CBC management ensure that contract monitoring activities are appropriately performed, reviewed, and documented in accordance with applicable guidelines.

As specified in Preliminary and Tentative Audit Finding #14, to ensure CBC management's consistency in executing the practice of monitoring subcontracted providers, to include proper documentation and accountability when deficiencies are identified in a corrective action plan, the COU of the Department will expand its scope to include a review of each CBC's compliance with their own subcontract monitoring policies.

Finding No. 16: *The CBCs did not always timely and accurately record property acquisitions in CBC tangible personal property records.*

Recommendation: We recommend that CBC management enhance controls to ensure that all required property information is timely and accurately recorded for all applicable property items.

The Department will include tangible property in the Contract Oversight Unit scope of monitoring and tools for state fiscal year 2015-2016, by June 30, 2015.

Finding No. 17: *The CBCs did not always ensure that the results of annual physical inventories were reconciled to CBC accounting and property records. In addition, the CBCs did not always properly conduct and document annual physical inventories in accordance with Department requirements or ensure that such inventories were conducted by persons independent of the property record-keeping function.*

Recommendation: We recommend that CBC management ensure that the results of annual physical inventories are properly reconciled to CBC accounting and property records. We also recommend that annual physical inventories be properly conducted and documented in accordance with Department requirements and by persons independent of the property record-keeping function.

The Department will address monitoring of CBC procedures related to accounting and property records in its Fiscal Monitoring procedures, to be developed by June 30, 2015. The Department will include tangible property in the COU scope of monitoring and tools for state fiscal year 2015-2016 by June 30, 2015.

Florida Department of Children and Families
1317 Winewood Boulevard, Tallahassee, Florida 32399-0700

Mission: Protect the Vulnerable, Promote Strong and Economically Self-Sufficient Families, and
Advance Personal and Family Recovery and Resiliency

EXHIBIT D
MANAGEMENT'S RESPONSES (CONTINUED)



March 18, 2015

Mr. David W. Martin, CPA
 Auditor General
 111 West Madison Street
 Tallahassee, Florida 32399-1450

Dear Mr. Martin:

On behalf of Big Bend Community Based Care, Inc. (BBCBC), I would like to thank the Auditor General for the opportunity to participate in this audit of the Department of Children and Families (DCF). Big Bend was selected for site visits for both child welfare and behavioral health. BBCBC oriented your audit team on contracts and program area specifics, provided more than twice the sample sizes of other areas tested, provided working space for the audit team for seven (7) continuous months and expended more than eight hundred (800) man hours producing documents at your request.

Your letter dated February 19, 2015 included preliminary and tentative audit findings and recommendations which you indicated may be included in the Auditor General's report on your audit of DCF's Oversight of Foster Care and Related Services. Your February 19, 2015 letter directed BBCBC, in accordance with Section 11.45(4)(d), Florida Statutes, to submit a written statement of explanation, including actual or proposed corrective actions, for preliminary and tentative audit Findings Nos. 3, 4, 6, 7, 9, 10, 11, 13, 15, 16 and 17.

Please see below BBCBC's responses to such preliminary and tentative audit findings:

Finding No. 3: BBCBC amended its subcontract with the provider at issue to remove the bed limit allowing for payments at the specified rate for all occupied beds. It should be noted that at no time were payments made for unfilled beds.

Finding No. 4: BBCBC will add internal controls and update its policies and forms to ensure proper documentation when allowable exceptions are made to state travel policies, including requiring adequate documentation of exceptions where having an employee stay overnight is more efficient and cost effective than having an employee return home only to travel back to the same location the next day as was the case with respect to the employee that is mentioned in preliminary and tentative Finding No. 4..

EXHIBIT D

MANAGEMENT'S RESPONSES (CONTINUED)

Finding No. 6: BBCBC respectfully disagrees with this preliminary and tentative finding which is based solely on DCF guidelines¹ that are not incorporated by reference into the contract between BBCBC and the DCF,² and do not apply to federal funds provided under the contract. Contrary to the Auditor General's preliminary and tentative finding that mortgage interest is unallowable under the contract, mortgage interest is expressly allowable under the terms of the contract and federal law.

The contract requires BBCBC to comply with, and incorporates by reference, the provisions of 2 CFR, Part 230 (formerly OMB Circular A-122), Cost Principles for Non-Profit Organizations. [Contract, Attachment I, §§ B.1.a.8., 9., 18].³ Federal law recognizes that it may be less costly for a non-profit organization receiving federal funding to finance the acquisition of facilities from which services are provided instead of leasing such facilities. [2 CFR, Part 230, Appendix B, Selected Items of Cost, 23., Interest (providing that interest can be allowable for the acquisition of a facility and requiring a lease/purchase analysis showing that a financed purchase is less costly to the organization than other leasing alternatives)]. Where facility acquisition is the least cost alternative, federal law permits allowable occupancy costs, including mortgage interest, to be charged against federal funds in lieu of rent. [2 CFR, Part 230, Appendix A., C. Indirect Costs (referring to "Facilities" indirect cost as including "interest on debt associated with certain buildings"); 2 CFR, Part 230, Appendix A, D., Allocation of Indirect Costs and Determination of Indirect Cost Rates ("Interest costs shall be allocated in the same manner as depreciation or use allowances on the building . . . to which the interest relates.")]⁴

¹ The guidelines discussed in the preliminary and tentative audit report are found in a document entitled "Department of Children and Families Guidelines on Expenditure by CBC Providers for Foster Care and Related Services" dated July 1, 2011.

² The contract does not mention the guidelines. Section A.2.c. of Attachment I to the contract refers to "specific documents that are a part of this contract and incorporated by reference" that can be obtained on the Department's website at <http://www.dcf.state.fl.us/cbc/>. The contract provides that these documents incorporated by reference in the contract "may not be modified unless both parties agree through formal amendment to this contract." [Contract, p. 9, Attachment I, § A.2.c.]. In contrast, the contract mentions other documents posted under the "Fiscal Attachments" tab on the website which are frequently updated and do not require the consent of both parties to be modified. Such documents are not contract documents, but are simply forms posted for use by the Lead Agency. [Contract, p. 9, Attachment I, § A.2.c.]. The guidelines are not posted under the tab for "CBC Contract Documents by Reference." They are posted under the "Fiscal Attachments" tab and, therefore, are not incorporated by reference in the contract.

³ Section B.1.a. of Attachment I requires BBCBC to comply with all federal laws and regulations in the "Community-Based Care Authority and Requirements Reference Guide" (the "Requirements Reference") which is incorporated by reference, posted on the Department's website under the link for "CBC Contract Documents by Reference" and expressly includes 2 CFR, Part 230. Section B.1.a.9. requires BBCBC to develop and maintain operating procedures to support administrative, fiscal and programmatic activities in accordance with the Requirements Reference. Section B.1.18. of Attachment I requires BBCBC to submit a Cost Allocation Plan to the Department that conforms to "the accounting principles and standards prescribed in . . . 2 CFR, Part 230" [Contract, p. 12, Attachment I, § B.1.a.18].

⁴ To the extent there is a conflict between 2 CFR, Part 230 and the guidelines, the provisions of 2 CFR, Part 230 controls. See Contract, Standard Contract, ¶ 46 (Attachment I, which includes specific references to 2 CFR, Part 230, controls over any documents incorporated by reference in an attachment and, as noted above, the guidelines are not incorporated by reference in any attachment or any other part of the contract).

EXHIBIT D
MANAGEMENT'S RESPONSES (CONTINUED)

BBCBC purchased the property discussed in the preliminary and tentative finding only after it conducted a lease-purchase analysis showing that purchasing the facilities would result in millions of dollars of cost savings which could be put back into direct services for children and families instead of being paid as rent. BBCBC did not use contract funds to purchase the property. Instead, BBCBC has charged the allowable occupancy costs, including mortgage interest, to the contract as authorized by the contract and federal law, specifically 2 CFR, Part 230. These allowable occupancy costs take the place of rent which would otherwise be charged to the contract at a substantially higher cost had BBCBC not purchased the property.

Costs charged to the contract are to be allocated first to federal funds and then to state funds. This is reflected in the preamble to the DCF guidelines referenced in the preliminary and tentative finding. That preamble indicates that only state funded costs are governed by the guidelines. The allowable occupancy costs, including mortgage interest, charged to the contract are far less than the federal funds received by BBCBC under the contract and, therefore, are paid for with federal funds. Accordingly, whether or not such costs are allowable is governed by federal law, and not the guidelines. As noted above, federal law (2 CFR, Part 230) expressly allows mortgage interest to be included in occupancy costs.

Further, it should be noted that the Department was aware even before BBCBC first purchased property that BBCBC intended to purchase facilities and charge allowable occupancy costs to the contract in lieu of rent to help reduce the administrative expenses paid for under the contract thereby allowing more dollars to go toward services. The property purchases are reflected in various forms of source documentation provided to the Department including cost allocation plans, independent audits (also provided to the Auditor General on an annual basis and found on the Auditor General public website), 990 tax forms, and minutes of BBCBC's Board meetings. In addition, a representative of the Department has attended every BBCBC Board meeting including those at which the property purchases were discussed. Not once has the Department ever suggested to BBCBC that it cannot include mortgage interest allowable under federal law in the occupancy costs that it charges against the contract. Moreover, prior to purchasing the property and after the Department adopted a prior, but similar version of guidelines in 2007, BBCBC's outside auditor spoke with the Department's Comptroller who confirmed that, notwithstanding the guidelines, BBCBC can charge interest, depreciation and repairs and maintenance to the contract as occupancy costs as authorized by OMB Circular A-122.

For all of the foregoing reasons, preliminary and tentative Finding No. 6 is in error and should not be included in the final audit report.

Finding No. 7:

Bonus: The preliminary and tentative finding relating to the \$15,000 bonus BBCBC paid to its CEO is based on Section 215.425(1), Florida Statutes, which states that "[n]o extra compensation shall be made to any officer, agent, employee, or contractor after the service has been rendered or the contract made. . . ." BBCBC disagrees with this finding because Section 215.425 does not apply to compensation paid by BBCBC, a private non-profit corporation, to its CEO. Section 215.425 only applies to compensation paid to a public officer, agent or employee or to a "contractor" paid with state funds. It

EXHIBIT D

MANAGEMENT'S RESPONSES (CONTINUED)

does not apply to compensation paid to an officer or employee of a private non-profit contractor. If the Legislature had intended for the prohibition on extra compensation to apply to compensation paid to officers and employees of private corporations that contract with the state it could have done so, but it did not. The reason for this is clear. The state goes to great lengths to ensure that its contractors are independent contractors and those employees of contractors are not deemed to be state employees as the Department did in its contract with BBCBC.⁵

Although Section 215.425(1) prohibits the Department from paying extra compensation to BBCBC as the "contractor"⁶ after service has been rendered or the contract made, the statute has no applicability to how BBCBC pays its employees. The Department has not paid any extra compensation to BBCBC under the parties' fixed price, fixed payment contract. Once the fixed price payments are received by BBCBC for deliverables under the contract, it is up to BBCBC to determine how to pay its employees. Because the contract between the Department and BBCBC is a fixed-priced contract, the state made no additional payment to BBCBC as a result of BBCBC paying its CEO a bonus. For the state to interject itself into how BBCBC pays its employees would call into question the independent contractor relationship of the parties and risk the state being deemed a co-employer of BBCBC's employees.

Not only has BBCBC been unable to find any case law, Attorney General opinion or other legal authority applying Section 215.425 to compensation paid by a private contractor to its employees, BBCBC has not been able to locate any reference to Section 215.425 in its contract with the Department.⁷

Further, even if Section 215.425 were applicable to the \$15,000 bonus BBCBC paid its CEO, which it is not, Section 215.425 only applies to payments made with state funds. BBCBC is paid with federal and state funds under its contract with the Department and the federal funds received under the contract during the 2012-13 fiscal year far exceeded \$15,000.

¹Because Section 215.425, Florida Statutes, does not apply to the bonus paid by BBCBC to its CEO, BBCBC requests that this portion of preliminary and tentative Finding No. 7 be eliminated from the final audit report.

⁵ See Contract, Standard Contract, ¶ 17 ("In performing its obligations under this contract, the Provider shall at all times be acting in the capacity of an independent contractor and not as an officer, employee or agent of the State of Florida."); see also Standard Contract, ¶ 31 (incorporating by reference paragraph 34 of the PUR 1000 Form which requires BBCBC to take all actions necessary to ensure that its employees are not employees of the State of Florida).

⁶ Section 409.990(2), Florida Statutes, refers to Section 215.425 as follows: "Notwithstanding s. 215.425, all documented federal funds earned for the current fiscal year by the department and lead agencies which exceed the amount appropriated by the Legislature shall be distributed to all **entities** that contributed to the excess earnings. . . ." This refers to payment made to a "contractor" and not to the employee of a contractor consistent with the plain language of Section 215.425.

⁷ In fact, the CBC Authority and Requirements Reference Guide incorporated by reference in the contract lists Sections 215.422 and 215.97 as statutes that apply to the contract, but makes no reference to Section 215.425.

EXHIBIT D
MANAGEMENT'S RESPONSES (CONTINUED)

Notwithstanding the inapplicability of Section 215.45, BBCBC states that it will revisit its employment contracts, along with its policies and procedures to more specifically address payments of bonuses in the future.

Payment Documentation: BBCBC will update controls to ensure personnel actions are independent.

Severance Payment: For the same reasons that Section 215.425, Florida Statutes, does not apply to the bonus payment made by BBCBC, Section 215.425 does not apply to a severance payment made by BBCBC. The preliminary and tentative findings relating to the severance payment cite to Section 215.425(4), Florida Statutes, but this statute makes clear that it only applies to a severance payment made by a "unit of government." BBCBC is a private non-profit entity and an independent contractor to the Department. It is not a unit of government. Accordingly, because Section 215.425 does not apply, BBCBC requests that the preliminary and tentative finding relating to the \$1,604 severance payment BBCBC made to one of its employees be removed from the final audit report.

Notwithstanding the inapplicability of Section 215.425, BBCBC states that it will revisit its employment contracts and policies and procedures to more specifically address severance payments and that BBCBC will document the basis of any severance pay provided to its employees.

Leave Records: BBCBC will enhance controls to ensure leave is properly documented, calculated and accurately recorded.

Finding No. 9: In response to this audit, BBCBC updated the "Systems Change Update Form" and its policies to require changes be requested on the form. This will ensure access to only those privileges necessary for the user's assigned job responsibilities. The form is then filed in the employee's personnel confidential file. BBCBC's revised policies require retention of these forms and periodic (monthly) reviews and updating of access profiles.

Finding No. 10: BBCBC will enhance its policies and forms to ensure proper action is taken upon hiring and separation, including making timely requests for deactivation of an account upon separation. BBCBC will also conduct periodic reviews of each employee's access to FSFN. FSFN system controls prevent user accounts from being deactivated until the account no longer has active "work" assigned to it. BBCBC data integrity personnel are allowed to "lock" accounts, but not to deactivate them and are therefore dependent on the individual supervisor providing notice of the employee's separation or change in required privileges as well as for any assigned cases, providers or approvals.

Further, BBCBC's actions are dependent on DCF reactivating the user access report to allow for comparison and control of user profiles and access to systems.

Finding No. 11: BBCBC will work with DCF to strengthen controls over FSFN data entry to ensure data is recorded accurately and in a timely fashion.

Contractually, BBCBC already requires "event data" be entered into FSFN within 2 days. BBCBC also runs a report each working day to check for errors in entries of DOB's, SS#'s and other relevant data.

EXHIBIT D
MANAGEMENT'S RESPONSES (CONTINUED)

Finding No. 13: Subsequent to the audit, DCF provided BBCBC with training on the standardized reconciliation template. This enables BBCBC to timely identify all outstanding items for resolution. BBCBC will enhance internal controls to supplement this process.

Finding No. 15:

Corrective Action Plans: In concert with the DCF quality assurance guidelines, BBCBC included best practice recommendations for improvements alongside contractual deficiencies in monitoring reports. BBCBC will clearly delineate the differences between contractual deficiencies and best practice recommendations in future monitoring reports so that corrective action plans will be clearly understood and properly oriented to deficiencies.

Supervisory Review: BBCBC respectfully disagrees with this preliminary and tentative finding based on a review of the DCF Operating Procedures 75-2 and 75-8 which require no signature be obtained from a second level reviewer before the report is disseminated.

However, BBCBC will modify its policy to reflect an integrated review process. The programmatic monitoring portion of the report will be reviewed and approved by the Quality Management Director or Contract Administrator prior to dissemination.

Finding No. 16: BBCBC will enhance controls for property records by revising policies and forms as necessary.

Finding No. 17: BBCBC will revise policies and internal controls to ensure the annual physical inventory process is separated from the custody of the property records. Additionally, controls will be enhanced to ensure accounting records are reconciled to the property records.

Should you have any further questions please contact me at your convenience.

Respectfully,



Mike Watkins, Chief Executive Officer
Big Bend Community Based Care, Inc.

Ec: Linda Nelson, BBCBC Board President

EXHIBIT D
MANAGEMENT'S RESPONSES (CONTINUED)



Board of Directors

Jeffrey Dwyer
Chairman

Sigrid McCawley
Vice Chairman

Melida Akiti
Treasurer

Nichole Anderson
Secretary

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Catalina M. Avalos
Joseph Rogers
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Samuel Ambrose
Sarah Marmion
Sarah Thomas

Emilio Benitez
President/
Chief Executive Officer

Ainsworth Geddes
Chief Financial Officer

March 20, 2015

David W. Martin
Auditor General
State of Florida
G74 Claude Pepper Building
111 West Madison Street
Tallahassee, Florida 32399-1450

Dear Mr. Martin:

In response to the auditor general's preliminary and tentative audit findings from the Department of Children and Families and Selected Community-Based Care Lead Agencies, Oversight of Foster Care and Related Services audit notice dated February 19, 2015, please see ChildNet's enclosed proposed corrective actions for the findings referenced.

Please do not hesitate in contacting us if further clarification of the enclosed responses is necessary.

Sincerely,

Ainsworth Geddes
Chief Financial Officer

Our Mission:
To protect abused,
abandoned and
neglected children in
the communities
we serve.



313 N. State Road 7 • Plantation, FL 33317 • Phone (954) 414-6000 • Fax (954) 414-6019 • www.ChildNet.us
 4100 Okeechobee Blvd. • West Palm Beach, FL 33409 • Phone (561) 352-2500 • Fax (561) 352-2480/2481

EXHIBIT D
MANAGEMENT'S RESPONSES (CONTINUED)



Board of Directors

Date: March 20, 2015

Jeffrey Dwyer

Chairman

Sigrid McCawley

Vice Chairman

Melida Akiti

Treasurer

Nichole Anderson

Secretary

Betty Ann Pilger

Catalina M. Avalos

Joseph Rogers

Kalinthia Dillard

Lisa McDermott

Liz Quirantes

Patricia Rowe-King

Samuel Ambrose

Sarah Marmion

Sarah Thomas

Re: Response to the Auditor General, State of Florida to the preliminary and tentative audit findings of Oversight of Foster Care and Related Services at the Department of Children and Families and Selected Community-Based Care Lead Agencies report for ChildNet in Palm Beach County.

Thank you for the opportunity to respond to the preliminary and tentative audit findings listed in the report. The review period coincided with ChildNet taking over the Lead Agency contract under an emergency procurement from the prior agency and while the transition plan was quite robust, a few 'bumps in the road' were experienced as expected.

Finding #4: Administrative Payments: CBC payments for travel and food were not always adequately supported or made in accordance with State law and rules (both Map and Vicinity Mileage not shown on travel log).

In ChildNet's initial response to the audit inquiry, management indicated that ChildNet was following its established travel procedures which had been reviewed by the Department. The Auditor General indicated the use of the DFS travel voucher is required by state law. As a result, ChildNet will revise its current travel voucher to include the requirements specified by State law, such as a separate identification of map and vicinity mileage when available.

Finding #9: Appropriateness of Access Privileges: Controls over access to FSFN need improvement

ChildNet has always had one point of contact for ensuring access to FSFN is completed as required. This point person works very closely with the Department of Children and Families to ensure that the proper paperwork is submitted to DCF at which time they provide access to FSFN for employees and contractors as allowed. The Palm Beach personnel that were hired during the transition have all been trained and a change of staff was made. There are employee categories that have multiple profiles in order to complete their assigned duties. ChildNet has precautions in place to ensure that these folks are not able to impact FSFN finances in that each request for payment is reviewed for accuracy including review of provider census forms, and contingency form requests.

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the communities
we serve.



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EXHIBIT D
MANAGEMENT'S RESPONSES (CONTINUED)

Finding #10: Termination of FSFN Access Privileges:

As noted above, the period reviewed was just as ChildNet transitioned to be the Lead Agency for Palm Beach. While again the transition plan was robust, there were a few 'bumps along the road.' ChildNet brought to Palm Beach the process used in Broward whereby Talent Management personnel send the list of staff members leaving the agency to the Data Specialist Supervisor (Security Officer) who locks the former employee from FSFN on their last day. There are two (2) back up Security Officers that can do this if the primary is out of the office.

Finding #15: Documentation of CBC Subcontractor Monitoring: The CBC did not always ensure that contact monitoring activities were appropriately performed, reviewed, and documented in accordance with applicable guidelines.

A monitoring outline was included in the ChildNet Policy and Procedure which was based on the Department of Children's operating procedure in 2003. Through continuous review and learning this outline was determined to be duplicative of the monitoring schedule and was eliminated. The policy and procedure; however, was not updated at the time of this review to reflect those changes. The policy and procedure has now been updated.

In addition, the review found that one (1) item in one (1) contract reviewed contained a deficient item which was determined by the ChildNet monitoring team to be 'conditionally acceptable' and not require a performance improvement plan. The rationale was not included in the report to the provider. As noted before, ChildNet was transitioning in to Palm Beach County as the new Lead Agency at the time of the review period for this audit. This was an oversight of the team and has been corrected.

Finding #17: CBC Tangible Personal Property Administration: The CBC did not always ensure that the results of annual physical inventories were reconciled to CBC accounting and property records.

The 2012-2013 fiscal year inventory was the first inventory performed by ChildNet at the Palm Beach County location and ChildNet staff were under significant time constraints to finalize the transition from the previous CBC and complete the year-end inventory. ChildNet has performed an inventory subsequent to the 2012-2013 fiscal year and have performed an adequate reconciliation of the physical inventory to the CBC's accounting and property records.

EXHIBIT D
MANAGEMENT'S RESPONSES (CONTINUED)



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EckerdCBC.org

Accreditations
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March 11, 2015

David W. Martin, CPA
 Auditor General
 State of Florida
 G74 Claude Pepper Building
 111 West Madison Street

VIA ELECTRONIC MAIL ONLY

Re: Preliminary and Tentative Audit Findings

Dear Mr. Martin:

Please accept this written statement of explanation and rebuttal pursuant to Section 11.45 (4) (d) Florida Statutes, regarding the report prepared on your audit of Oversight of Foster Care and Related Services at the Department of Children and Families and Selected Community-Based Care Lead Agencies. Furthermore, this document contains Eckerd's proposed corrective actions for each finding.

Finding No. 4: Administrative Payments

"CBC payments for travel and food were not always adequately supported or made in accordance with State law and rules."

Response: Eckerd was found to have incorrectly charged a meal, lodging expenses, and hotel fees in excess of allowed amounts without justification. To remedy this finding, Eckerd has revised its travel policy for employees who are employed under the Department of Children and Families contract to conform to the Florida Department of Financial Services Travel Manual¹. Furthermore, all staff that travel on behalf of Eckerd for state child welfare business are now paid a per diem of \$36.00 pursuant to Section 112.061(6) (a).

The findings also indicate that receipts for a restaurant purchase of \$65.00 made with an Eckerd purchasing card could not be located. Eckerd has revised its purchasing card policy to deactivate a purchase card when the employee has not turned in the previous months receipts within 30 days of the statement closing. To assist with the timely logging of purchasing card receipts, Eckerd is also in the process of switching to the Bank of America purchasing card that will allow card users to upload the receipt through a mobile telephone application in real time, decreasing the possibility that a receipt will be lost or misplaced.

Lastly, all purchasing card charges allocated to the DCF contract are thoroughly reviewed by Eckerd's Director of Finance to ensure they are in compliance with the terms and conditions of the contract.

¹ Florida Department of Financial Services Travel Manual (Revised January 20, 2010).
http://www.myfloridacfo.com/Division/SFM/DOMSEC/documents/State_Travel_Manual_2011-01-15.pdf

EXHIBIT D
MANAGEMENT'S RESPONSES (CONTINUED)

Page | 2

Finding No. 8: Employment Contract and Staff Qualifications

"The CBC's did not always document that individuals employed in management positions met minimum education or licensure requirements or, alternatively, adequately document the basis for waiving such requirements."

Response: Kathleen Cowan served as Eckerd's Associate Executive Director prior to her promotion to Executive Director. The minimum requirements of the position per Eckerd's job description require that the Associate Executive Director have a Master's Degree in a Human Services field while Ms. Cowan only has a Bachelor's degree. Prior to Ms. Cowan's employment her credentials were evaluated by Lorita Shirley, then the Eckerd Executive Director for Hillsborough County as well as Eckerd human resources staff. Ms. Cowan's experience includes working as a Department of Children and Families Contract Oversight Unit Employee from October, 1997 through April, 2004. Additionally, Ms. Cowan was the Chief Administration Officer of Heartland for Children, the community-based care lead agency in Circuit 10 from May, 2014 through March, 2012.

Florida Administrative Code 65C-15.017 (1) states that in lieu of a Master's degree, "A bachelor's degree in social work or related area of study, as specified in Section 402.402(1), F.S., from an accredited college or university and four (4) years of experience in human services or child welfare programs may be substituted." Ms. Cowan's credentials were found by Ms. Shirley and human resources to meet the alternative requirement; however this was not documented in Eckerd's personnel file. To correct this, Eckerd's Human Resources staff will validate that each employee assigned to the Hillsborough child welfare contract meets the minimum requirements for the position as outlined in the job description, and placing a memorandum in the file when an exception is made. This will be complete no later than June 1, 2015. Furthermore, Human Resources will be responsible moving forward to validate the credentials of each employee hired. Periodic review by Eckerd's Quality Management staff will ensure that this is occurring.

Finding No. 9: Appropriateness of Access Privileges

"Controls over FSFN need improvement"

Response: Eckerd acknowledges that there is the opportunity to improve controls in place over FSFN access privileges. To improve these controls, Eckerd will complete a one-hundred percent review of all FSFN users maintained by Eckerd in Hillsborough County no later than April 30, 2015 to ensure there is proper documentation for each user who has access to the system. The Security Officer will conduct a quarterly review of ten percent of those employees and subcontracted vendors who have access to FSFN to ensure the correct levels are assigned and that documentation is complete. All documentation will be housed in a local drive that will contain a folder per employee to ensure the documentation is readily available and secure for each user. The Security Officer will attend any training conducted by the Department of Children and Families to better understand which roles are needed for the positions Eckerd has. Eckerd will also create a chart that will be utilized to indicate which access level is appropriate for each position.

Finding No. 10: Termination of FSFN Access Privileges

"FSFN user access privileges were not always timely deactivated upon a CBC employee's separation from employment."

Response: Eckerd acknowledges that there is the opportunity to improve controls in place over FSFN access privileges. The Security Officer currently locks terminated employees accounts the day that notification is received. The current process includes notification to the Department of Children and Families within twenty-four hours. Effective immediately, Eckerd will ensure that staff adds a note in the FSFN profile for all locked accounts indicated the date and time the account was locked. Currently, subcontracted agencies are contractually required to notify Eckerd within one day of an employee termination. Eckerd will continue to monitor the timeliness of notifications and take remedial action as necessary.

EXHIBIT D
MANAGEMENT'S RESPONSES (CONTINUED)

Page | 3

Finding No. 17: Property Inventory

"The CBC's did not always ensure that the results of annual physical inventories were reconciled to CBC accounting and property records. In addition, the CBCs did not always properly conduct and document annual physical inventories in accordance with Department requirements or ensure that such inventories were conducted by persons independent of the property record-keeping function."

Response: The findings indicate that "Our comparison of the inventory listing to the ECA property records disclosed that, of the 78 items included in the property records, only 15 had been included on the inventory listing." When Eckerd first acquired the contract in July 2012, the property inventory for Hillsborough was kept separate from the fixed asset list of other Eckerd programs due to the workload of uploading all records into the master fixed asset list. As a result of this finding, Eckerd's management has begun to enter all ECA assets into the Solomon Fixed Assets tracking module with an anticipated completion date of June 30, 2015. Furthermore, Eckerd will continue to complete an annual inventory to reconcile that all assets are accounted for.

Should you have any questions, please feel free to contact Martin Peters, Senior Director of External Relations, at 727-461-2990 or via email at mpeters@eckerd.org.

Sincerely,



Randall W. Luecke
Chief Financial Officer

Cc: Ron Zychowski, Chief of Quality and Performance
Kathleen Cowan, Executive Director
Nicole Stroebel, Controller
Pam Griffith, Vice President of Finance
Martin Peters, Senior Director of External Relations

EXHIBIT D
MANAGEMENT'S RESPONSES (CONTINUED)



E. Lee Kaywork
CEO

Ashley Smith-Juarez
Board Chair

March 20, 2015

David W. Martin, CPA
Auditor General
State of Florida
G74 Claude Pepper Building
111 West Madison Street
Tallahassee, FL 32399-1450

RE: PT_DCF Community-Based Care Lead Agencies-FSSNF - Operational Audit

Dear Mr. Martin,

Family Support Services of North Florida, Inc. (FSSNF), appreciates the time, effort, and skill of all of auditors and staff who conducted the operational audit of selected community-based care agencies and the Dept. of Children and Families.

I have attached our formal response to the eight findings applicable to FSSNF.

Sincerely,

Kenneth L. Barton, Esq.
Risk and Contracts Compliance Manager

Enclosure

Cc: Jacqueline Joyner, CPA, Audit Coordinator



1300 Riverplace Blvd., Suite 700
Jacksonville, FL 32207
904.421.5800 Fax 904.348.3258



EXHIBIT D
MANAGEMENT'S RESPONSES (CONTINUED)

Response to
PT_DCF Community-Based Care Lead Agencies-FSSNF

Finding No. 3: Contract Payments

The CBCs could not always demonstrate that contract payments were properly supported by adequate documentation or made in accordance with applicable contract terms.

Documentation was provided to the auditing team demonstrating that the FTE rate established in the contract included overhead. However, this documentation was not included in the verbiage of a previous case management organization (CMO) contract. Subsequent to this audit inquiry, we updated our CMO contract template with all subcontracted case management providers to better define the specific FTE position rate by which payments were to be reduced for each vacancy extending past 30 days.

Finding No. 7: Salary Payments

CBC salary payments and leave balances were not always supported or calculated in accordance with established CBC policies or State law.

After this discrepancy was brought to our attention, the matter was immediately reported to the Chair of the Board of Directors. The Chair of the Board of Directors and the Executive Committee of the Board of Directors met and ratified the CEO salary increase. Minutes of this meeting and vote were provided to the auditing team.

Additionally, FSSNF has streamlined its process for all future senior management pay raises to be in accordance with the process for all other staff payroll increases. FSSNF will use a spreadsheet template with locked formulas that automatically calculates the dollar amount of a percentage raise so that an arithmetical error will not happen again.

Finding No. 9: Appropriateness of Access Privileges

Controls over access to FSN need improvement.

All staff members with noted discrepancies of access privileges and approved privileges have been addressed by submitting updated FSN access forms to DCF. FSSNF only allows one staff member to control database access so as to limit the opportunities for inappropriate access privileges to be granted. As a result of this audit, this staff member has begun quarterly checks of a random sampling to ensure granted FSN access privileges match the level of access granted per their FSN Access Request Form.

Finding No. 11: FSN Data Entry

The CBCs and the Department did not always ensure that client data was entered in FSN accurately or timely.

EXHIBIT D
MANAGEMENT'S RESPONSES (CONTINUED)

The two FSFN discrepancies noted in the findings have been corrected. FSSNF relies almost exclusively on subcontracted case management organization staff to keep case file data uploaded into FSFN current and accurate. The importance of FSFN accuracy has been repeatedly stressed in monthly meetings held with the agencies (both at the director, associate director, and quality assurance levels).

Finding No. 13: FSFN and CBC Accounting Records Reconciliations

The CBCs did not always ensure that differences identified during reconciliations between FSFN data and CBC accounting records were researched and timely resolved.

Prior to 7/1/2014, the FSFN reconciliation process did not include follow through on individual records. Prior to 7/1/2014 as required and on a monthly basis, FSSNF did a FSFN reconciliation and corrected errors in the accounting system that were identified. Since that time, the OCA reconciliation program within FSFN (the Florida Safe Families Network) has changed with the addition of additional OCA codes. It is now enhanced and continues to be tracked monthly and submitted to DCF with backup documentation. There are transaction cross dates every month, 90% clear out the next month, 10% usually clears out within three months.

Finding No. 15: Documentation of CBC Subcontractor Monitoring

The CBCs did not always ensure that contract monitoring activities were appropriately performed, reviewed, and documented in accordance with applicable guidelines.

➤ **Monitoring Plan**

- FSSNF policies and procedures³¹ required the preparation of a monitoring plan at least 14 calendar days prior to the monitoring visit and that any adjustment to the monitoring plan be documented, along with the reason for the adjustment. FSSNF policies and procedures also required the monitoring plan to include, among other things, the number of items to be selected for testing. For all 3 FSSNF monitoring visits, we found that monitoring plans had not been prepared. In response to our audit inquiry, FSSNF management indicated that checklists had been used in lieu of the monitoring plans; however, our examination of the checklists used disclosed that the checklists did not provide the number of items to be selected for testing.

The Contracts Department has implemented a formal contract monitoring Plan. The policy does not specify that the number of items for review are to be listed on the monitoring plan. However, moving forward the monitoring plans will indicate such. The policy will also be updated to reflect relevant practices.

➤ **Monitoring Tools**

- For the 3 FSSNF monitoring visits, not all criteria within the monitoring tools had been completed, and some deficiencies identified in the monitoring tools were not included in the monitoring reports. For example, the monitoring reports did not address the use of policies and procedures that were not approved; the failure to obtain an updated background screening for personnel; and medical requirements, such as medical exams within 72 hours, not met for youth in care. In response to our audit inquiry, FSSNF management indicated that the incomplete criteria and the deficiencies excluded from the reports were due to staff oversight.

EXHIBIT D

MANAGEMENT'S RESPONSES (CONTINUED)

The Contracts Department has implemented a 2 step review process prior to report finalization. Step 1: The draft is thoroughly reviewed by the contracts manager to identify any deficiencies; corrections are made. Step 2: The monitoring lead sends the draft report to the audited subcontractor providing them 5 days to review the report. The subcontractor is instructed to provide comments and/or documentation regarding reviewed items within the 5 day period. After the 5 day period, the subcontractor will receive a final report.

➤ Supervisory Review

- The monitoring report for one of the 3 FSSNF monitoring visits did not contain the signatures of FSSNF's Chief Financial Officer, Contracts Manager or Director, and Monitoring Lead, evidencing review. In response to our audit inquiry, FSSNF management confirmed that the FSSNF's standard practice was to obtain signatures on the final monitoring report from all three parties to evidence review and approval of the report prior to issuing the report to the contractor. Additionally, FSSNF management indicated that the original report had been signed and submitted to the contractor, but a copy with the signatures had not been maintained by the FSSNF.

All signed reports are maintained in the monitoring file and a copy of the final report with signatures is emailed to the subcontractor.

Finding No. 16: Property Records

The CBCs did not always timely and accurately record property acquisitions in CBC tangible personal property records.

In response to the lapses uncovered by this audit, the inventory function at FSSNF was moved to the Finance department. All property items purchased now go through the point of contact in Finance to record it in the property records and affix the FSSNF property tag. Only then does the item get delivered to the staff member who ordered the item.

Finding No. 17: Property Inventory

The CBCs did not always ensure that the results of annual physical inventories were reconciled to CBC accounting and property records. In addition, the CBCs did not always properly conduct and document annual physical inventories in accordance with Department requirements or ensure that such inventories were conducted by persons independent of the property record-keeping function.

FSSNF has put new protocols in place:

1. As of 3/15/15, the physical inventory system reconciles to the accounting system. Going forward, the inventory system will be reconciled to the accounting system on a monthly basis.
2. The Finance department will ensure that an annual physical inventory is conducted by individuals not responsible for keeping the inventory records (separation of duties).
3. The DCF Contract Manager will continue to conduct a physical inventory check annually in June.

EXHIBIT D
MANAGEMENT'S RESPONSES (CONTINUED)



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March 18, 2015

Auditor General
 State of Florida
 G74 Claude Pepper Building
 111 West Madison Street
 Tallahassee, FL 32399-1450

Dear Mr. Martin,

Below is Our Kids' response to your audit findings. Please review and let us know if you have any questions.

Finding #3 – Contractual Payments

We apologize for the confusion around the funding of the 2 positions. We had initially indicated that the agreement was for 8 months but it was for 7. We entered into an agreement to fund \$66,181 for a period of 7 months and that is exactly what was reimbursed so no overpayment was made. We would be happy to provide whatever additional documentation is necessary.

Finding #5 – Allowability of Our Kids Expenditures

As discussed with the OAG staff, Our Kids has received approval from DCF for this event since we began acknowledging the success of our students in a ceremony in 2009 and did not think it necessary to receive approval each year. We believe that the OAG is taking an overly narrow view of the statutory allowance in s. 409.1671 for food and refreshments for clients in the care of the agency or to foster parents, adoptive parents, and caseworkers during training sessions. Note that the statute purposefully uses the word "refreshments" in addition to the word food. The refreshments provided were for an event to celebrate the tremendous accomplishment of graduation from high school / GED / Vocational Program or College of our independent living clients. While it is probable that other attendees partook in the refreshments, it does not seem reasonable to segregate the refreshments that may have been consumed by non-clients. With regard to the prohibition on decorative items, we concur that \$522 was for decorative items for the event and will not charge such items in the future.

As to the question of necessary and reasonable, we could point to volumes of research that supports the building of self-esteem as critical to the development of young adults to become self-sufficient. For children who have aged out of the foster care system, obtaining a high school diploma/technical certificate or college is one of the most significant accomplishments and indicators of successful outcomes they can achieve and so we celebrate it. This builds their self-esteem and encourages them to continue their education in whatever way makes sense for them. Perhaps at face value, a graduation event does not seem to meet the necessary and reasonable criteria, but

EXHIBIT D
MANAGEMENT'S RESPONSES (CONTINUED)

with a deeper understanding of the youth we serve and their very unique needs, we stand by our practice of hosting these events.

Finding #7 – Salary Payments

The employee in question was returning from an 11 day leave which included authorized but unprocessed time-off at the time of the termination for cause. A review of the termination process for this particular incident revealed that the cause of the miscalculation could have been prevented by checking leave requests pending processing prior to the determination of the amount due the employee.

The Human Resources department has modified their termination process by adding the step of verifying any unprocessed but approved paid time off prior to issuing any payments to the departing employee.

Finding #8 – Employment Contracts and Staff Qualifications

Our hiring process requires proof of educational requirements being met prior to hiring. The decision was made by the CEO at the time (different CEO now) to offer the position to the employee contingent on her active enrollment in a school to complete the missing classes. The CFO was given extensions and failed to satisfy the requirement.

Going forward, education exceptions will need to be approved by the CEO and a policy outlining the new process is being developed.

In retrospect, we considered the circumstances cited in the audit to be extraordinary in nature; it is not our current practice and we do not intend in the future to grant this type of exceptions.

Finding #9– Appropriateness of Access Privileges

In response to your findings we performed a review of the FSFN User profiles in use by the Finance unit. The review revealed that user profiles necessary by the Finance unit allow the creation and modification of providers. These user profiles are not defined or maintained by Our Kids but by the FSFN support team in Tallahassee. We are unable to modify these profiles and systematically prevent the ability to create financial payments and add or modify provider information by removing access rights to member of the Finance team.

As a result, we are in the process of drafting a modification to our policy regarding the creation and update of provider information. This revision will address the separation of duties and will include a periodical review of all provider information additions and changes by a team of Non-Finance staff members.

Finding #10– Termination of FSFN Access Privileges

Our current process requires that the Information Technologies (IT) department be notified of any terminations causing access rights to be removed within the required 48 hours, with few exceptions like during long week-ends or other special circumstances. It is also our policy to lock FSFN users from the system after 90 days of no use and to revoke FSFN access privileges after 185 days unless valid employment and appropriate access status is confirmed.

EXHIBIT D
MANAGEMENT'S RESPONSES (CONTINUED)

With regards to the findings, one of the employees was expected to return from an extended medical disability period but subsequently resigned. A second one was on leave and after six months decided not to return to work, the remaining two were the result of communication lapses that have been corrected by the Human Resources department by incorporating the use of a termination checklist and a notification email to the IT department requesting the removal of access privileges as soon as the employee ends his/her employment. Finally, the IT department is now utilizing a recently developed DCF report that identifies all FSFN users and their last login date, which will facilitate the locking and removal of access rights for lack of use.

Finding #12 and #13– FSFN Client Payment Data and FSFN and CBC Accounting Records Reconciliations

We concur that the integrity of FSFN client payment data has been lacking. Because our method of payment is based on a level of care and is all-inclusive of client payments and case management costs, there had not been the appropriate emphasis on FSFN client data – the accuracy of data would not change the actual provider payment amount (as noted by the OAG). Beginning in July 2014, Our Kids and DCF implemented a new process of reconciliation which has yielded much better results. However, there are still more errors than we would like and some of our providers are not correcting them in a timely manner. Effective July 1, 2015, Our Kids will enter into a new payment methodology with our providers that will not include board payments – Our Kids is in the process of assuming room and board payments for all children and this transition will be complete by July 1st, 2015. This will enable Our Kids to be the fiscal agent and to perform reconciliation for the entire population. We believe this will result in fewer reconciling items and when they do occur they will be completed in a much timelier manner. In fact, for the provider that transitioned January 1st, there have been no reconciling items at all to date. We will continue to work with DCF to identify items that are unable to be resolved due to FSFN limitations so that these may be corrected.

Finding #14 – Monitoring of Subcontractors

- A. In past years we were not in the position to terminate providers therefore we did not issue CAPs due to performance issues. However, we have reconfigured our QA department along with significant staff changes focused on Performance Management. We are confident that CAPs will be issued when necessary in the future.
- B. We agree that this provider was not performing well during the review period. However, due to the fact that this provider is in a very difficult service area we felt that issuing financial penalties would have further burdened this provider. As a benefit to the community, instead, we offered them assistance and support.
- C. Our Kids was one of the first lead agencies to engage a fiscal monitor and has done so ever since the beginning of our services contract. We believe this to be best practice and have understood this to be DCF's opinion as well. Part of the purpose of hiring a fiscal monitor is to have staff with specific expertise that we do not necessarily have in our agency. We select the vendor based on that expertise and rely on that to perform the activities defined in their contract. As noted, we do review deliverables diligently to ensure compliance with their contract. Based on review of those deliverables, we have been pleased with the

EXHIBIT D
MANAGEMENT'S RESPONSES (CONTINUED)

thoroughness and quality of the work product. The OAG recommendation that we establish a process to "monitor the monitor" seems to defeat the purpose of hiring a fiscal monitor in the first place. Regardless, we will work with DCF to determine what additional processes may be necessary to ensure all applicable fiscal and administrative requirements are met by our subcontractors.

Sincerely,



Jackie Gonzalez
President and CEO

cc: Luis Barreto, Director of Financial Services / Controller
Rafael Campos, Director of Compliance and Risk
Annette Jose, DCF Contract Manager

EXHIBIT D
MANAGEMENT'S RESPONSES (CONTINUED)



St. Johns County Board of County Commissioners

Health and Human Services | Community Based Care Division

March 23, 2015

David W. Martin
Auditor General
State Of Florida
G74 Claude Pepper Building
111 West Madison Street
Tallahassee, FL 32399

Dear Mr. Martin,

St Johns County Board of County Commissioner's Family Integrity Program received the Auditor General Report draft on February 19th, 2015 concerning the audit of Oversight of Foster Care and Related Services at Department of Children and Families and Selected Community-Based Care Lead Agencies. The Family Integrity Program was cited on the following:

Finding # 3: Contract Payments
Finding # 9: Appropriateness of Access Privileges
Finding # 10: Termination of FSFN Access Privileges
Finding # 11: FSFN Data Entry
Finding # 14: Monitoring of Subcontractors
Finding # 16: Property Records
Finding # 17: Property Inventory

The following is the Family Integrity Program's response in regard to the above mentioned findings and recommendations for improvement in these cited areas.

Finding #3 was in regard to the lack of adequate documentation of contract related payments. Contract Management staff have been made aware of the discrepancy regarding the age change of a child in care where the payment was not adjusted to the higher rate when the child aged into the next payment level. The group home staff had sent invoices with the old rate and attributed the error to an oversight, since the child had been in the home for an extended period of time. Contract staff now inspects the invoices from the home to verify the rates, dates and age of the child are correct.

Finding #9 was in regard to "Appropriateness of Access Privileges. The audit concluded with findings of "Inadequate Separation of Duties", "Access Privileges Not Approved on the Access Form", "No FSFN Form Available", and "Unnecessary Access Privileges". The Family Integrity Program was cited in each of these areas, with the exception of "No FSFN Form Available". The Family Integrity Program has a designated, internal "Security Representative" that is the Point of Contact for the Department of Children and Families' Northeast Region Security department. This Security Representative is responsible for tracking all FSFN change requests and submits them timely to the DCF NE region Security Department for review and changes to be made in FSFN. The Security Representative has a separate profile in FSFN that allows the Security Representative to have an overview of all the agency's profiles and the access privileges. The Security Representative is in constant communication with DCF NE Region Security in regard to changes that are needed and required. Supporting documentation of all changes will be continued to be maintained in the Family Integrity Program's offices, with the Security Representative. The Security Representative will also be conducting quarterly audits of access privileges in FSFN and be tasked with communicating with DCF NE Region Security about any changes that need to occur in regard to access. Given the small size of the agency, at times it is necessary that employees have multiple roles in the agency, which requires multiple roles in FSFN. To avoid an inadequate separate of duties, if an employee is required to have more than one role in FSFN, the Security Representative will communicate to DCF NE Region Security concerning the appropriateness of the required multiple roles needed.

EXHIBIT D
MANAGEMENT'S RESPONSES (CONTINUED)

Finding #10 was in regard to "Termination of Access Privileges". The audit concluded that the Family Integrity Program failed to terminate FSFN access on 4 out of 5 employees in a timely manner. It should be noted that one of the employees that maintained access to FSFN, remained employed part-time with the agency, after that individual transferred to another county government position. The agency's Security Representative is now made aware of all employee terminations prior to that employee's departure and is responsible for ensuring the termination request is sent to DCF NE Region Security within one business day.

Finding #11 was in regard to "FSFN Data Entry". The audit concluded that the Family Integrity Program employees had entered chronological notes and other entries into FSFN outside of the three working days following the event that needed to be documented. The Family Integrity Program's Quality Assurance unit tracks "lag time" on a monthly basis and reports the findings to the agency's management team. The "lag time" report that is generated in the Business Objects reporting site through FSFN only contains data on Home Visits with children. There are no further reports in the Business Objects reporting site that have data on other entries. The Family Integrity Program has a contract with Mind Share Technologies to provide data reporting, which is extracted directly from FSFN. The MindShare Technologies reporting system allows the agency to request reports that directly relate to the agency's specific needs. The agency will be working with Mind Share Technologies to develop a report in regard to overall data reporting that will be analyzed and used to increase productivity in this area.

Finding #14 was in regard to Contract Monitoring. St. Johns County staff are reviewing and updating policy and procedures regarding contract management, monitoring efforts, documentation, contract review and follow-up processes. Improvements with these processes will allow SJC to identify if the subcontractor were compliant with the contract terms and to the level in accordance with SJC terms and applicable laws and regulations.

Finding #16 was in regard to "Property Records". The audit concluded that the Family Integrity Program did not demonstrate that three vehicles obtained were added to the property records timely and that a fingerprint scanning device was not included in the records at all. There were also findings concerning missing data fields on the property record records. The agency has since added the missing fields on the property record logs, to include property record addition, acquisition cost and serial numbers. The agency's Administrative Assistant is now responsible for adding all property obtained and keeping records internally of all property. A copy of the property records are provided to the agency's Contract and Finance Manager.

Finding #17 was in regard to "Property Inventory". The audit concluded that the Family Integrity Program "could not provide the annual inventory certification form, evidence of the items located during the physical inventory or documentation demonstrating any missing items or records differences were properly investigated and resolved". This deficiency was determined to be due to employee oversight. The Family Integrity Program has now assigned the agency's Office Specialist to complete Property Inventory twice a year (bi-annually). A copy of the Property Inventory report is then provided and maintained by the Contract and Finance Manager.

In conclusion, the Family Integrity Program is aware of all the above listed findings and will continue to work toward compliance with all governing statutes, administrative codes and operative procedures. We are ensuring that the measures that have been and will be implemented will rectify the deficiencies found during the Auditor General's audit.

Sincerely,



Joy Andrews
Chief Executive Officer
St. Johns County Board of County Commissioners
Family Integrity Program
200 San Sebastian View, Suite 2300
St. Augustine, FL 32084