

**Audit of Children and Families in Need of Services
Report Number A-1516DJJ-003
January 14, 2016**

By

**The Office of the Inspector General
Bureau of Internal Audit**

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Inspector General

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Auditor

Christina K. Daly, Secretary

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**STATE OF FLORIDA
DEPARTMENT OF JUVENILE JUSTICE**

MEMORANDUM

DATE: January 14, 2016

TO: Christina K. Daly, Secretary
Stacy Gromatski, President and Chief Executive Officer
Florida Network of Youth and Family Services, Inc.

FROM: Robert A. Munson, Inspector General *RAM*

SUBJECT: Final Report - Audit No. A-1516DJJ-003, Audit of Children and Families
in Need of Services

Attached is our final report, Audit of Children and Families in Need of Services, prepared by the Bureau of Internal Audit. We will conduct a follow-up via the Bureau of Contract Management to determine the status of corrective actions taken to address the reported findings.

We would like to thank the Florida Network of Youth and Family Services, Inc. and the Bureau of Contract Management for the assistance extended to our staff during the audit process. Please feel free to contact Michael Yu, Audit Director, at 850-717-2468, if you have any questions.

RM/rb

Attachment

Cc: Tim Niermann, Deputy Secretary
Fred Schuknecht, Chief of Staff
Alice Sims, Assistant Secretary
Amy Johnson, Director of Program Accountability
Melinda M. Miguel, Chief Inspector General, Executive Office of the Governor
Sherrill F. Norman, CPA, Auditor General
Kathy DuBose, Director, Legislative Auditing Committee

2737 Centerview Drive • Tallahassee, Florida 32399-3100 • (850) 488-1850

Rick Scott, Governor

Christina K. Daly Secretary

The mission of the Department of Juvenile Justice is to increase public safety by reducing juvenile delinquency through effective prevention, intervention, and treatment services that strengthen families and turn around the lives of troubled youth.

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**Office of Inspector General
Bureau of Internal Audit
Children and Families in Need of Services
Audit No. A-1516DJJ-003**

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EXECUTIVE SUMMARY

The Office of the Inspector General (OIG), Bureau of Internal Audit (BIA) has performed an audit of the Department of Juvenile Justice (Department) Children and Families in Need of Services program for the period July 1, 2014, through June 30, 2015, and related activities through the end of fieldwork. The overall objectives of the audit were:

- To evaluate the Florida Network of Youth and Family Services, Inc. and the Department of Juvenile Justice's contractual performance to determine whether services are provided in accordance with contract conditions; and
- To examine internal controls of both the Florida Network of Youth and Family Services, Inc. and the Department of Juvenile Justice to assess the effectiveness in safeguarding assets, ensuring the reliability and integrity of records and reports, and achieving operational goals.

The Department signed a contract with the Florida Network of Youth and Family Services, Inc., (Network) on June 24, 2014; the contract was effective July 1, 2014, for five years totaling \$171,369,623.80, which equals to \$34,273,924.76, per year subject to an annual appropriation from the Florida Legislature.

The Network is responsible for providing statewide services involving administration and coordination of locally delivered residential and non-residential services to youth and families in all twenty (20) judicial circuits via local service providers. The Department is responsible for monitoring the Network to ensure compliance with contract conditions.

Our audit disclosed that, in general, the Network and Department provided services to youth and families in accordance with contract conditions; had sufficient controls in place to safeguard assets and to ensure the reliability and integrity of records and reports and to achieve operational goals. However, we noted areas for improvement pertaining to the following:

- The Network provided an advance (\$66,533.35) to a for profit entity; the Department did not recover interest earned on advance payments (totaling \$7,718,508) to the Network in a timely manner. The above financial transactions did not comply with Florida Statutes and contract conditions, respectively.
- Our review of Network accounting records disclosed that two checks (totaling \$11,972.49) have been outstanding for more than a year. Network policies and procedures require outstanding checks be cancelled when they are older than 180 days.
- Network controls over travel expenses were not adequate based on selected travel vouchers reviewed by the auditor.

It appears none of the deficiencies noted above materially affected services provided to youth and families or operational goals.

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**Audit of Children and Families in Need of Services
Audit # A-1516DJJ-003**

INTRODUCTION

The Office of the Inspector General, Bureau of Internal Audit has performed an audit of Children and Families in Need of Services for the period July 1, 2014 through June 30, 2015, and related activities through the end of fieldwork. The Bureau of Internal Audit selected this program for audit based on our Fiscal Year 2015-2016 Audit Plan.

Background

The Department of Juvenile Justice (Department) signed Contract #10128 with the Florida Network of Youth and Family Services Inc., (Network) on June 24, 2014. This contract was effective July 1, 2014, for five years totaling \$171,369,623.80, which equals to \$34,273,924.76 per year subject to an annual appropriation from the Florida Legislature. Included in the above amount is \$749,980 of Federal Title IV-E funds.

The Network is a not-for-profit statewide organization providing assistance and guidance to member entities through youth advocacy, information sharing, technical assistance, and resource development. The Florida Network transfers approximately 90 percent of its funding to thirty (30) contracted local service providers.

The contract requires the Network to perform statewide management services for Children and Families in Need of Services (CIN/FINS) program, which includes the following:

- Policy and program development;
- Local service provider selection;
- Contract management and monitoring of local service providers;
- Training and technical assistance;
- Data collection and reporting;
- Financial reporting and tracking procedure that prevent co-mingling of funds;
- Ensuring that all local service providers staff/subcontractors possess the minimum qualifications, professional experience and licensing to perform his/her assigned duties;
- Information packet creation and updates as describe in Section 984.071, Florida Statutes;
- Ensuring that all local services providers possess the minimum qualifications, professional experience and licensing to perform his/her assigned duties; and,
- Development and implementation of a statewide quality improvement process.

The purpose of the CINS/FINS program is to provide advocacy for youth and public safety, assure youth due process and adequate protection, and preserve the safety and integrity of the family. In addition, the Network through local service providers delivers services 24 hours per day, seven days per week, in each Judicial Circuit throughout the State of Florida to troubled families and their children in the following categories:

- Children In Need of Services (CINS): provides services to a child for whom there is not a pending investigation into an allegation or suspicion of abuse, neglect, or abandonment; no pending referral alleging the child is delinquent; or no current supervision by the Department of Juvenile Justice and the Department of Children and Family Services for an adjudication of dependency or delinquency; and,
- Families in Need of Services (FINS): provides services to a family that has a child who is running away; who is persistently disobeying reasonable and lawful demands of the parent or legal custodian; who is habitually truant from school or engaging in other serious behaviors that place the child at risk of future abuse, neglect, or abandonment or at risk of entering the juvenile justice system.

The requisite population for these services is youth ages 10-17 for shelter services and youth ages 6-17 for non-residential services who are homeless, runaways, habitual truants, or acting beyond the control of their parents.

Objective, Scope, and Methodology

The overall objectives of the audit were:

- To evaluate the Florida Network of Youth and Family Services, Inc. and the Department of Juvenile Justice's contractual performance to determine whether services are provided in accordance with contract conditions; and,
- To examine internal controls of both the Florida Network of Youth and Family Services, Inc. and the Department of Juvenile Justice to assess the effectiveness in safeguarding assets, ensuring the reliability and integrity of records and reports, and achieving operational goals.

The Bureau of Internal Audit conducted the audit in accordance with *the International Standards for the Professional Practice of Internal Auditing*, published by the Institute of Internal Auditors.

Our audit included limited test of records and other auditing procedures considered necessary for the period July 1, 2014, through June 30, 2015, and related activities through the end of fieldwork. In addition, the audit scope included an examination of records at Department headquarters, on-site visits to the Network's administrative office in Tallahassee, and three local service providers: Capital City Youth Services, Thaise Educational & Exposure Tours, and Bethel Community Foundation.

To achieve our audit objectives, we reviewed:

- Applicable Florida Statutes, rules, policies and procedures;
- Department Contract #10128;
- The Florida Network Independent Audit report for Fiscal Year Ending June 30, 2014;
- Department contract management file;
- The Bureau of Internal Audit Report dated January 28, 2010;
- Contracts between the Florida Network and local service providers;
- Monitoring reports of local service providers;
- The Network Annual Report;
- The Network Organizational chart;
- The Network policy and procedures;
- Invoices for payments and accounting records;
- Potential findings related to a review of the Department by the Department Financial Services Review;
- The Network Board of Directors minutes;
- IRS Form 990;
- Communication between the Department and the Florida Network;
- Financial Information from Bureau of Finance and Accounting;
- Records at the Network and three local service providers (Capital City Youth Services, Thaise Educational & Exposure Tours, and Bethel Community Foundation) accounting and programmatic records on-site; and we,
- Communicated with appropriate personnel.

RESULTS OF AUDIT

The audit disclosed that, in general, the Network and Department provided services to youth and families in accordance with contract conditions; had sufficient controls in place to safeguard assets and to ensure the reliability and integrity of records and reports and to achieve operational goals.

In addition, our audit noted the following attributes pertaining to the management of the Children and Families in Need of Services program:

- The Department has a well-designed process in place for managing the Children and Families in Need of Services program. Not only do Department staff conduct administrative monitoring to ensure compliance with contract conditions, staff also participates in Quality Improvement reviews with the Network. In addition, Department staff provides technical assistance to the Network on an as needed basis.

- Network personnel and the monitoring consultant employed by the Network appear well qualified and have extensive experience in managing and monitoring the Children and Families in Need of Services program.
- Monitoring instruments are well-designed, i.e., detail guidance and steps for the reviewer to follow. This enhances the Network and Department efforts to accurately and effectively determine the level of performance and quality of services being provided by local service providers.
- There is collaboration between the Network and Department in developing monitoring instruments.
- Reviewers are required to sign a Conflict of Interest/Code of Ethics Form; this enhances independence and objectivity. and,
- The Department's manager for this contract is a Florida Certified Contract Manager. This indicates the manager has received training that promote best practices and procedures related to negotiating, managing, and ensuring accountability in managing contracts. In addition, the manager provided evidence to the auditor indicating that she received training on the Florida Single Audit Act and contract/grant monitoring.

However, we noted areas for improvement pertaining to advance payments, outstanding checks, and controls over travel expenses.

Details of Findings and Recommendations

Advance Payments

The Network and Department did not comply with Florida Statutes and contract conditions pertaining to advance payment of funds for contracted services.

- A. Section 216.181(16)(b), Florida Statutes, allows for advances for program startup or contracted services only to governmental entities and not-for-profit organizations. Advances should not exceed the expected cash needs of the contractor or recipient within the initial three months of operations.

While performing our audit procedures, we noted an advance payment by the Network to a Limited Liability Corporation (LLC) for \$66,533.35. The contractor received the advance on August 28, 2014. The purpose of the advance was to expedite the identification, recruitment, training and scheduling of peer reviews for 2014-15 Fiscal Year. The payment also included funds for planning and coordination for the statewide roll out of Automated Medication Carts for twenty-seven (27) emergency youth shelters operated by local service providers.

The LLC is not a governmental entity nor a not-for-profit corporation; therefore, the LLC is not eligible for an advance from state resources. Network management indicated to the auditor that it was not aware that the advancing of funds to LLC was a violation of Florida Statutes.

Except for the advance to the LLC which does not comply with Section 216.181(16)(b), Florida Statutes, there is no material financial loss to the Network. The LLC performed the services related to the advance payment.

- B. During Fiscal Year 2014-15, the Department underwent a contract review by the Department of Financial Services (DFS). After the on-site review was completed, DFS indicated that the Department lacked evidence that advance funds (\$7,718,508) provided to the Network was managed in compliance with terms and conditions of the contract.

The contract requires the Network to deposit advance funds in an interest bearing account and earned interest returned to the Department on a quarterly basis. Our review indicated that, which is in agreement with DFS observations, the Department did not exercise its responsibilities pertaining to the management of advance payments to the Network.

The Department did not receive interest payments quarterly as required by the contract. Subsequent to DFS's review, the Department received an interest payment via a check for \$2,045.53, dated June 22, 2015, for Fiscal Year 2014-15. For Fiscal Year 2015-16, the contract manager notified the Network that an interest payment is due to the Department for the first quarter ending September 30, 2015.

We recommend the Network comply with Florida Statutes when advancing state funds. We also recommend the Department enforce contract conditions outlined in the contract with the Network.

Outstanding Checks

The Network policies and procedures states the following: "...All checks outstanding for ninety (90) days will result in communication to the payee, to clarify status. Checks outstanding after 180 days shall be voided and 'stop payment' procedures implemented in conjunction with the bank..."

Our review of the Network's bank reconciliation for the month ending June 30, 2015 disclose two checks, dated February 1, 2014 (\$1,305.81) and February 15, 2014 (\$10,666.68), have been outstanding for more than twelve months. These two checks were written to the same contractor according to management.

Management at the Network stated the contractor is in litigation, and has refused to cash the two checks. The Network by not following its policies and procedures hinders accounting personnel the ability to reflect an accurate cash balance in the financial statements and adds an unnecessary step to the process of bank reconciliation. This also overstates the amount of cash available for current operations; however, the dollar amount of outstanding checks are not material to the Network's overall cash position.

We recommend that the Network follow its policies and procedures pertaining to bank reconciliations.

Network Internal Controls over Travel Expenses

We noted the following deficiencies pertaining to our review of Network employees' vouchers for reimbursement of travel expenses:

- Travel vouchers (two) were incomplete; e.g., conference travel, not indicating the benefits to the state on the face of the voucher;
- One travel voucher not signed by the person other than the president and CEO as required by Network policies and procedures;
- Meals served at a conference; however, it appears the Network did not deduct class A and B meals from the traveler's reimbursement;
- It appears the Department was not charged for Class A&B meals (two vouchers); and,
- Total number of days traveled indicated on page one of the voucher did not agree with page two of the voucher (no explanations indicated on voucher).

Network employees pay their travel expenses utilizing a company issued credit card. In some instances, it was very difficult to determine the accuracy and reasonableness of travel reimbursements by Network employees.

This was due to Network employees combining travelers expenses on one voucher; for example, one traveler pays for hotel and/or meal expenses for other employees; travel expenses are noted on the payer's voucher; however, there is no voucher filed for the employee who did not pay for hotels or meals.

The contract between the Department and Network states the following: ...“All expenditures related to travel regardless of the method of payment must be in accordance with the terms and conditions of this contract and section 112.061, F.S.” Network policies and procedures also states the following: “All travel reimbursement will be completed on the state travel voucher form and will be signed by the traveler and approved by the President and CEO of the Network.”

We indicated to the Network CFO that each employee should use their own credit card and complete their individual reimbursement voucher; this would improve internal controls, make each employee accountable and responsible for their travel voucher, and reduce the following risks:

- Unauthorized or unallowable travel and/or expenses;
- Non-compliance with Florida Statutes and Network policies and procedures;
- Inaccurate charges to Network budgets or awards; and,
- Travel expenses not posted to the appropriate funding source.

To address the issues noted above pertaining to travel, on November 6, 2015, Department staff from the Bureau of Contract Management provided the Network with technical assistance on completing travel vouchers in accordance with applicable rules, statutes, and Network policies and procedures. Based on our limited review of travel expenditures, it appears the Department was not being overcharged for travel related expenses.

We recommend that the Network comply with applicable rules, statutes, and their policies and procedures pertaining to the processing of travel vouchers.

The audit was conducted in accordance with the *Standards for the Professional Practice of Internal Auditing*, published by the Institute of Internal Auditors. Please address inquiries regarding this report to Michael Yu, Audit Director at (850) 717-2458.

APPENDIX

MANAGEMENT RESPONSE



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Stacy Gromatski, Ed. S.
President/CEO



January 11, 2016

Robert Munson
Inspector General
Department of Juvenile Justice
2737 Centerview Drive
Knight Building, Suite 300
Tallahassee, FL 32399-3100

Dear Robert,

Below please find the response of the Florida Network of Youth and Family Services to the Draft Report of Audit No. A-1516DJJ-003 - Children and Families in Need of Services that was shared with us on December 7, 2015. We are very grateful to you for the efforts of your team to present a fair and comprehensive review.

The following constitutes our response to your findings:

- The Network provided an advance (\$66,533.35) to a for profit entity; the Department did not recover interest earned on advance payments (totaling \$7,718,508) to the Network in a timely manner. The above financial transactions did not comply with Florida Statutes and contract conditions, respectively.

1. Advances will not be provided in the future to for profit entities
2. A procedure for making quarterly payments to DJJ has been initiated

- Our review of Network accounting records disclosed that two checks (totaling \$11,972.49) have been outstanding for more than a year. Network policies and procedures require outstanding checks be cancelled when they are older than 180 days.

1. The two checks in question were involved in ongoing litigation and we were awaiting a determination by the judge in the case per legal counsel. The current Florida Network policy and procedure will be followed in the future.

- Network controls over travel expenses were not adequate based on selected travel vouchers reviewed by the auditor.

1. Following training and technical assistance, more controls have been put in place to ensure the Network complies with DJJ travel related requirements

I hope that these corrective actions will suffice as it relates to the findings of the Audit. Please respond in writing of your acceptance of our response. We are grateful to the entire DJJ team for their assistance and support. Please contact me if you have any further questions or concerns.

Sincerely,



Stacy J. Gromatski, Ed.S.
President and CEO