



# Juvenile Welfare Board of Pinellas County

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## FINANCE COMMITTEE MEETING MINUTES

Wednesday, January 23, 2013

1:00 PM

Juvenile Welfare Board

Conference Room 185

**COMMITTEE MEMBERS PRESENT:** Honorable Bernie McCabe, Chair; Honorable Bob Dillinger; Mrs. Maria Edmonds; Mrs. Elise Minkoff; Mr. Raymond Neri

**GUEST(S):** John Gilberto, Partner; Scott Davis, Senior Manager of Cherry Bekaert LLP

**JWB STAFF PRESENT:** Gay Lancaster; Dr. Marcie Biddleman; Dr. Mary Grace Duffy; Lisa Sahulka; Debra Prewitt; Lynn De La Torre; Sue Walterick; Karen Woods

**MEETING WAS CALLED TO ORDER BY MR. MCCABE AT 1:04 PM.**

Mr. McCabe would like future Finance Committee Meetings to start at 1:30 PM or later.

### **I. Requested Approval of October 25, 2012 Finance Committee Notes**

**ACTION:** Mrs. Minkoff moved approval to accept notes as written, seconded by Mr. Dillinger; no further discussion; motion carried.

### **II. Review FY 11-12 Draft Audit**

Mr. McCabe introduced John Gilberto, Partner, and Scott Davis, Senior Manager of Cherry Bekaert. An overview of the draft audit which includes completed financial statements and a short presentation was given to those present. Mr. Gilberto said he would discuss the reporting entity, required communication, key auditing changes and results of the single audit.

Cherry Bekaert audited the consolidated financial statements of the Juvenile Welfare Board of Pinellas County (JWB) as of and for the year ending September 30 2012, and anticipates issuing the report dated January 23, 2013. Two entities make up this financial statement: the Juvenile Welfare Board and a blended component unit. In the financial statement, JWB is the primary government in the general fund and the blended component unit is the special revenue fund. Pinellas Core Management Services (PCMS) is the special revenue fund. In order to pay the expenses of PCMS, there is a transfer in and transfer out

between the two funds. The balance sheet shows the monies that are owed are reflected in “due-to” “due-from”. The actual transfer of the monies is a transfer in and a transfer out reflected on the statement of revenues, expenditures and changes in fund balance.

The Auditor’s required communication comes under Generally Accepted Auditing Standards (GAAS), Government Auditing Standards (GAS) and OMB Circular A-133 (OMB). In the JWB financial statements, there are three reports Cherry Bekaert issues as JWB’s auditor: First, the opinion on the financial statements is an unqualified opinion. The other two reports are required for government entities that receive over \$500,000. A “No Comment” letter was written because no issues were found at the financial level of reporting. The same is true with compliance over laws, regulations and statutes.

Mr. Gilberto introduced Scott Davis who went over the report on grants and the federal awards that were received. A single audit was required per OMB Circular A-133. A data collection form which is required was also issued due to the single audit a statement of federal awards. The collection form contains a summary of all the federal grant activity and expenditures during the year and the discovery of the audit results. Mr. Davis also reviewed the Management letter that is issued under the rules of the Auditor General of the State of Florida.

The Significant Accounting Policies portion contains the policies for valuation of assets, timing of receivables and revenues. They are in accordance with the government auditing standards and accounting principles generally accepted in the United States of America, and consistent with industry practices and standards. JWB adopted the new GASB 61 regarding the recognition of component units. PCMS was a blended component this year and last, and there is no impact on JWB’s financials.

No unusual accounting policies or significant or unusual transactions took place. There was a new special revenues fund for PCMS disclosures. Leasehold improvements liability increased by \$250,000 due to air conditioning and structure changes for the new tenants.

There is a difference in revenue recognition as to why revenue can be recorded under full accrual which is in the government-wide statements and modified accrual which is in the general fund statement. The budgetary statements are under a fund statement and there is a significant difference in revenue recognition. Account receivables must be available within a certain period of time, which is 60 days in JWB’s policy. If JWB receives revenues that are due at year-end, but not collected within 60 days, they are not available, under the definition of modified accrual.

Certain management judgments and estimates are made during the Audit, based on best knowledge and outside help by actuaries, but it is not a true fixed amount. There are only two which can have a material effect on JWB’s financial statements: First is “Other Post-Employment Benefits” (OPEB) which when certain benefits are offered to retired employees then an actuary does a determination of that liability. The other estimate is the life of the assets on JWB’s capital assets. Only the capital assets apply to JWB this year.

Three journal entries were recommended during the auditing process:

1. Adjustments of \$32,296 for depreciation expense
2. Reclassification of \$232,496 of bank overdraft out of cash, and accounts payable
3. A modified accrual journal entry when revenues are available and measurable. The adjustment of \$101,789 was to correct general fund revenue and receivables not received within JWB’s period of availability (60 days).

Mr. Dillinger inquired as to the \$232,000 of bank overdrafts and is there a fee or cost associated with that.

Mr. Gilberto replied that here is not a fee and when auditing the cash accounts it sweeps to zero at the end of the night. Because it is a sweep account there are no charges or interest.

Ms. Sahulka: The auditors looked at that bank account as of September 30<sup>th</sup>. From an auditor's perspective, the correct amount of money was not in the bank as of September 30<sup>th</sup> to cover the amount of outstanding checks. This occurs because an actual sweep or transfer of the amount does not occur until the checks clear. The auditors consider this an overdraft and as a result reclassified the amount into accounts payable.

Mr. Gilberto: Three journal entries recommended were posted on all the financial statements. There were no difficulties or disagreements with the management on any of the policies or procedures and no consultation of any other matters that were disclosed with staff, other accountants or auditors. When the financial statements are closed out, we will receive a representation letter from management saying that everything that was told during the audit was correct to the fullest of their knowledge, and a financial letter to the Auditor General will be issued.

Mr. Davis: There are two paragraphs of Supplemental information. The first paragraph is the Management Discussion & Analysis (MD&A). Independent auditors report management discussion and it is unaudited. The numbers are compared to the financial statements and underlying data; the Supplemental information is unaudited so an opinion is not issued, and there is a Budgetary Comparison Schedule that is not audited.

Cherry Bekaert does issue an opinion on the schedule of expenditures of federal awards and state financial assistance, referenced on Page 12 which goes over Financial Highlights, and Page 14 Other Communications. On Page 12, it shows the Administration increasing \$200,000, while Programs Expenditures decline by \$800,000. Administration increased due to expensing the building lease renovation for 2-1-1. Mr. Gilberto explained that Administration actually had a reduction due to outsourcing IT.

Ms. Sahulka said the operating budget was also in that number, as well as the ASO.

Mr. Davis said they are required to test 50% of JWB's Grant awards because JWB is not a low risk auditee and the only reason is because they have not had a single audit in the previous two audit periods. Two findings were noted: A significant deficiency in internal control over compliance related to the major program and nonmaterial noncompliance over allowable costs related to the major program.

Mr. McCabe asked for clarification on the significant deficiency in internal control over compliance related to the major program.

Mr. Davis gave an overview of the findings to Mr. McCabe. In three instances, it was noted that there was no approval of a small grant expenditure.

Mr. Dillinger asked if that was by someone at JWB or on the grant end.

Mr. Davis said approval was not received for one item at the program level and by JWB for the other. The expenses were allowable; they were just not approved. One of the expenditures they selected did not have adequate supporting documentation to determine it was allowable under the grant.

Mr. McCabe inquired about the Management letter page 41, first paragraph.

Mr. Davis said during the audit they went through all the reports that were required to be properly submitted and it was noted that one report had gone out and there was no evidence that the Finance Director had reviewed the report. They are recommending the report be initialed, as evidence that it has been reviewed.

Mr. McCabe: Under Prior Year Findings and Recommendation Number 2, it suggests that the transfer of funds was not completed in a timely manner.

Mr. Gilberto: The funds were not drawn down within the requisite 60 days.

Mr. McCabe asked where the money was.

Mr. Gilberto: At the State. JWB spends the money and we are then reimbursed for this.

Mr. McCabe: Then the request for reimbursement has to be submitted, and is that what did not happen in a timely fashion?

Mr. Gilberto: Yes.

Mrs. Walterick: The request was made after we had finalized all the expenses.

Mr. McCabe: What grant is it?

Ms. Sahulka: Carrera.

Mr. McCabe: Through the state?

Mrs. Walterick: Federal.

Mrs. Lancaster: We didn't have all the information together to submit the request for reimbursement. Once that was put together and finalized, then we made the request but it was 60 days past close-out of the period.

Mr. Neri: Is that the problem, we didn't receive the money in a timely fashion?

Mr. McCabe: We requested late.

Mr. Gilberto: It was year-end close out. The process takes a couple of months to complete.

Mr. Dillinger: Can we change the 60 days.

Mr. Gilberto: Yes, but 60 days is an industry standard.

Mrs. Walterick: 60 days is historic.

Mr. Neri: Do you have any idea what the cost relationship to administering a grant is to what productive money that we have to use. How much does it eat into a \$500,000 grant?

Mrs. Lancaster: If the grant receipt does not adequately cover the administrative costs, then the grant is not worth it. It really needs to be a breakeven for JWB.

Staff left the room. Discussion with the Auditors followed.

*This item was moved up:*

#### **IV. Family Services Pool Eligibility.**

Mr. McCabe asked Dr. Biddleman to address Family Services Pool Eligibility. Dr. Biddleman said staff did not have a formally adopted set of criteria. The Family Services Initiative was put together with the Family Services Pool. JWB wanted to have income eligibility so that Finance could have a guideline as they approve payment. The income eligibility recommended is 200% of poverty for a family of four. Exceptions to policy may only be granted by three people and there are levels one, two and three. Level 3 is when it is an exception, and it is brought to Micki Thompson (211), Marsha Monroe (Central Florida Behavioral Health Network) or Dr. Biddleman. A collective decision is made for any exceptions and it would be handled under the Level 3 criteria.

Mr. McCabe asked what are the criteria now, and a lengthy discussion ensued regarding the eligibility process.

Mr. McCabe: 90% are \$300 or less, what is the range for the other 10%.

Dr. Biddleman: Anywhere from \$500 - \$600 range. Level three is \$1,000 or over.

Mr. McCabe asked if would make more sense to do this for level two or above.

Dr. Biddleman: Level three is over \$1,000 and there are about two or three a day and over a \$1,000, two or three in a month. We started the whole family idea which is level three special conditions. We don't handle electric or rent assistance unless they need something else, which is labeled special conditions.

Mr. Dillinger: I think the 200% is a working model but, paperwork wise, I would think we would want to get at some level where there isn't any paperwork.

Mrs. Lancaster: I would love to see level 3 be the only time we engaged in the paperwork submittal.

Mr. Dillinger: The criteria are requiring clients to be residents of Pinellas County. People are talking about going to Pinellas. If you are homeless, how do you disprove if they show up in Pinellas County. I know of a woman who got evicted in Pasco and then came to 211.

Mrs. Lancaster: What is important to you? We are serving people with children. If it matters to you as a Board that the mother came across the line because she needed help, then we can apply that criteria but if it matters more to you that we provide service to keep a child with a parent safe in a shelter and get food, then we will apply that policy to our work. I have total confidence in the three people who are in place to provide approval to these exceptions.

Dr. Biddleman: Yes, we have Pinellas County criteria. We have approved maybe four or five families to go to Oklahoma, or Michigan. They came to Pinellas County and for whatever reason it didn't work out, and we send them back to their families.

Mr. Dillinger: They heard there could be family residential here in Pinellas.

Mr. McCabe: It is two philosophies. We want to provide for all the children and we are using Pinellas tax dollars to provide for Pinellas residents yet, we don't want to become a magnet.

Ms. Sahulka: Fiscal staff wanted to be certain the Board understood how this was being handled, and if there were any questions about it.

Mr. McCabe: Is this a program they might audit?

Ms. Sahulka: Yes. In other programs, JWB has income eligibility. We typically fund programs that families are engaged in a service like Healthy Families. The Health Department, as part of our contract, is doing an income eligibility testing and assessment. JWB is actually paying the bill and being a direct service provider and it is the only contract that operates like that. We could be scammed and not have backup to support it. On a positive note, One e-App is getting closer to implementation and as we get everyone to participate it will alleviate these issues.

Mr. McCabe: A significant percentage is already in some sort of JWB program.

Mrs. Lancaster: No, not necessarily. They have likely come to the attention of some system.

Mr. Dillinger: If they show up, and they don't have ID, and they are homeless with three children, do we help them?

Dr. Biddleman: We help them but we are not going to overlook documentation.

Mr. McCabe: How about we change Level 1, \$0 to \$500, Level 2, \$500 to \$1,000, Level 3, over \$1,000 and we require documentation for Level 2 and 3?

Mrs. Lancaster: As we go through an audit process, we want to provide a good, rationale; how vulnerable do you want us to be?

Mr. McCabe: Documentation for over \$500, Level 2 and 3 and documentation retention requirement only for participants not currently enrolled in a JWB funded program.

Mrs. Edmonds asked what kind of documentation is necessary.

Dr. Biddleman: A Birth Certificate and Social Security card. When we receive a Level 3 request, it comes in on an email and on a form. It shows all money received, even from other programs. We have a manual that goes into detail, and I will send you the Manual we have.

Mr. McCabe said, as he understands it, the documentation checklist is not fixed but has flexibility built in.

Dr. Biddleman: If people want gas, we ask to see a driver's license. If they have had their driver's license revoked, we are not going to give them gas for their car. Common sense applies to this program.

Mr. McCabe asked Ms. Sahulka if what he suggested allayed her concerns and she said yes it did.

**ACTION: Mrs. Minkoff moved approval of the Family Services Pool Eligibility; seconded by; Mr. Dillinger; no further discussion; motion carried.**

### III. Carrera – Grant Administration Discussion

Mrs. Minkoff said Pinellas Core Management Services (PCMS) was intended to be an ASO and to take on different types of grants. We have come to the determination that we cannot do small grants and foundations and have decided to do the large grants and now we are having a problem with those. Have we run out on the life span of PCMS and do we need to shelf PCMS? Sue Walterick was asked in a Board meeting if JWB had the staff to monitor the grant and was told yes they did. Mrs. Minkoff has concerns about JWB taking on future grants especially if they end up being farmed out to another non-profit. Then we lose economies of scale when we were told that having an ASO with a 501(c)(3) was going to bring to us economies of scale. Do we need to be in the grant business at all?

Mrs. Lancaster said this is very different. A staff member responsible for grants resigned who had the fiscal skills to monitor and manage these grants. JWB provides the administrative support for the Neighborhood Family Centers. With a 501(c)(3), you have a couple things that are valuable to the organization. One is the capacity to receive funds from elsewhere; including foundations which you don't usually get when there are restrictions on who receives the funds. Most other similar organizations have 501(c)(3)s for that purpose. With this particular grant, we were at a point where we made some staffing changes and Veronica was not replaced. We can either get a grants manager in-house and be assured we are handling the day-to-day monitoring and management that we did have the capacity for, or for a modest percent, we can ask another agency to help.

Mrs. Minkoff said she would not want to see any services cut back from the Neighborhood Family Centers. It is a great program, but how we are conducting business within this entity?

Mrs. Lancaster said there is another piece of this that has to do with whether the program would have local sustainability. That sustainability requires going out and engendering funding support from other entities to support the program. She feels confident we are handling every piece of ASO business we have, but for this one.

Mrs. Minkoff doesn't disagree about the fundraising and would not like to see, after the grant expires that the agency comes back to the Board and requests \$600,000 to continue the program because they haven't done their fundraising.

A lengthy discussion ensued about Health Department restrictions which necessitated moving the grant to another agency.

**Note:** Since that time, discussions with the Health Department have taken place and adjustments have been made to their administrative processes which have enabled them to maintain the contract and meet all requirements to manage expenses. Therefore, Board action is no longer necessary.

**ACTION: Mrs. Minkoff moved approval of the Carrera – Grant Administration Discussion that Mr. McCabe outlined and recommended; seconded by Mr. Neri; no further discussion; motion carried.**

**Mr. McCabe adjourned the meeting at 3:18 PM.**

**Minutes respectfully submitted by Joan Chamo, Executive Assistant**