

# COUNTY AUDIT DEPARTMENT

**REPORT # 344**

*An Audit of:*

**LUTHERAN SERVICES FLORIDA, INC.**

**CONTRACT AUDIT**

**MARCH 28, 2018**



*Pat Frank* INTEGRITY. TRANSPARENCY. ACCOUNTABILITY.

CLERK OF COURT & COMPTROLLER • HILLSBOROUGH COUNTY, FLORIDA

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March 28, 2018

The Honorable Sandra L. Murman, Chairman  
The Honorable Victor D. Crist  
The Honorable Ken Hagan  
The Honorable Al Higginbotham  
The Honorable Pat Kemp  
The Honorable Lesley "Les" Miller, Jr.  
The Honorable Stacy R. White

Dear Chairman Murman and Commissioners:

The Audit Team performed an audit of the Lutheran Services Florida, Inc. Contract (Audit Report # 344, dated March 30, 2018). Responses to the Audit Team's recommendations were received from the Director of Head Start and have been included in the Report after each audit comment and recommendation.

The purpose of this Report is to furnish management independent, objective analysis, recommendations, counsel, and information concerning the activities reviewed. It is not an appraisal or rating of management.

Although the Audit Team exercised due professional care in the performance of this audit, this should not be construed to mean that unreported noncompliance or irregularities do not exist. The deterrence of fraud and/or employee abuse is the responsibility of management. Audit procedures alone, even when carried out with professional care, do not guarantee that fraud or abuse will be detected.

The Audit Team appreciates the cooperation and professional courtesies extended to the auditors by the Director and personnel of Head Start during this audit.

Sincerely,

Heidi Pinner, CIA, CFE, CISA, CRMA  
Director of County Audit

CC: Mike Merrill, County Administrator  
Carl Harness, Chief Human Services Administrator  
Jacquelyn Jenkins, Director, Head Start Department  
Kevin Brickey, Management & Budget Office  
Dan Klein, Chief of Staff  
Rick VanArsdall, Chief Deputy of Finance & Budget, Clerk to the Board

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## EXECUTIVE SUMMARY

### BACKGROUND INFORMATION

Early Head Start is a federal program under the U.S. Department of Health and Human Services (HHS) which provides developmental services to primarily low income families with children from newborn to three-years old. Early Head Start programs provide health, nutritional, educational, and social services including special services for children with disabilities. These programs are required to provide for the direct participation by the parents of enrolled children in the development, conduct, and direction of local programs. HHS has developed specific standards, known as the *Head Start Performance Standards*, to provide a formal structure for program governance. Head Start/Early Head Start education and child development services are provided either through a center-based classroom option or a family child care home (FCCH) option.

Hillsborough County entered into an Agreement, document no. 16-0823, with Lutheran Services Florida, Inc. (LSF) for the provision of Early Head Start services to enrolled children. Per the Agreement, LSF would subcontract with FCCH providers and receive funding in an amount not to exceed \$1,493,048 for fiscal year 2017. Actual funding totaled \$1,476,071 for fiscal year 2017. Funds were distributed to Lutheran Services via a monthly reimbursement to be used to deliver comprehensive services, in compliance with applicable Head Start regulations and standards, for 120 infants and/or toddlers, ages zero to two years old, and their families. LSF subcontracted with 30 FCCH providers to deliver these services. The Agreement is administered by the County's Head Start Department (Department).

### OBJECTIVE

The objective of the audit was to determine whether or not Lutheran Services Florida, Inc. was in compliance with the terms and conditions of the Agreement to provide Early Head Start services.

### SCOPE

The audit was conducted in conformance with the *Generally Accepted Government Auditing Standards* and the *International Standards for the Professional Practice of Internal Auditing*. These Standards require that County Audit plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for the audit comments and conclusions based on the audit objectives. County Audit believes that the evidence obtained provides this reasonable basis.

Audit testing was limited to the Department's fiscal and programmatic monitoring of LSF for the provision of Early Head Start services. For fiscal monitoring, the scope of the audit included the six month period from October 1, 2016 through March 31, 2017. For programmatic monitoring, the scope of the audit extended beyond the six months to include the months of April through June.

**OVERALL EVALUATION**

Department employees were responsive to the Audit Team's inquiries and politely provided the information as requested. The Audit Team encountered knowledgeable and dedicated employees during the course of the audit.

The following table summarizes the audit comments and corresponding cross references to the page number where the audit comment details can be found in this Report.

<b>AUDIT COMMENT</b>	<b>CONCLUSION OF OBJECTIVE</b>	<b>PAGE</b>
1	Payments were made in compliance with the Agreement.	3
2	The Department has implemented adequate controls to ensure LSF complies with the Agreement. One enhancement opportunity was identified.	5

**OPINION**

The overall control environment relative to the management of the Agreement is at a repeatable maturity level. This means that management has developed processes and controls with some policy structure, which ensures that LSF billings and performance are in compliance with the terms of the Agreement. An opportunity to strengthen monitoring controls over credentialing was identified. Addressing the opportunity in this Report will enhance the control structure over compliance with the Agreement requirements and the *Head Start Performance Standards*.

The exit conference was held on March 8, 2018.

Other minor concerns not included in this Report were communicated to management and/or corrected during fieldwork.

**AUDITED BY**

Heidi Pinner, CIA, CFE, CISA, CRMA, Director of County Audit  
Margaret Brown, CIA, Audit Manager  
Richelle Anderson, Internal Auditor II

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## AUDIT COMMENTS & RECOMMENDATIONS

### AUDIT COMMENT 1

#### **Payments were made in compliance with the Agreement.**

Payments to Lutheran Services Florida, Inc. for the provision of Early Head Start services were made in compliance with the Agreement.

The objective was to determine whether or not the invoicing and reimbursement requests submitted by LSF, as well as the subsequent payments, complied with the terms and conditions of the Agreement.

The Audit Team reviewed the process carried out by Department personnel to review and approve invoices/reimbursement requests received from LSF. Specifically, the Audit Team tested invoices/reimbursement requests to determine whether or not:

- Monthly reimbursement requests were received timely;
- The monthly reimbursement form was complete and accurate;
- Purchases had proper approval; and
- Payments were made timely in compliance with the Agreement and the Florida Prompt Payment Act.

The Audit Team reviewed the Agreement and identified six compliance attributes for testing. All invoices/reimbursement requests received for the scope period (October 1, 2016 – March 31, 2017) were tested against the criteria identified. Supporting documentation was reviewed using the County's Oracle and OnBase systems. For each invoice/reimbursement, the Audit Team:

1. Verified that the invoice/reimbursement request was received by the 15th of the month.
2. Confirmed that a *Request for Reimbursement* form was completed accurately and included in the supporting documentation.
3. Verified that the Invoice Total was calculated accurately and reconciled to the supporting documentation.
4. Confirmed that a *Payroll Summary Expense Report* was included in the supporting documentation.
5. Verified that the invoice payment was properly approved (Fiscal and Contract Managers).

6. Verified that the invoice was paid timely, in accordance with the Florida Prompt Payment Act.

### **Results of Testing**

Invoicing and monthly reimbursement requests were submitted by LSF in accordance with the terms and conditions of the Agreement, proper approvals were obtained prior to payment, and payments were made in compliance with the Agreement and the Prompt Payment Act. Specifically:

1. All invoice/reimbursement requests were received by the 15<sup>th</sup> of the month.
2. All requests had a *Request for Reimbursement* form accurately completed and included in the supporting documentation.
3. All invoices were paid for the appropriate amount. One invoice total was overstated by \$5.45 on the original invoice but the overstatement was identified by the Department and corrected prior to payment.
4. All invoices included the *Payroll Summary Expense Report* in the supporting documentation.
5. All invoices were properly approved by the Fiscal and Contract Managers.
6. All of the tested invoices were paid timely in accordance with the Florida Prompt Payment Act.

### **RECOMMENDATION**

No material concerns were identified that require management's corrective action.

**AUDIT COMMENT 2**

**The Department has implemented adequate controls to ensure LSF complies with the Agreement. One enhancement opportunity was identified.**

The objective was to determine whether or not the Department had controls in place to monitor LSF and ensure operations comply with Agreement terms and conditions.

The Audit Team reviewed the Agreement for specific monitoring requirements, reviewed the *Head Start Performance Standards* published by the HHS regarding reporting and monitoring requirements, reviewed various inspection reports, and interviewed Department personnel.

**Programmatic Reporting**

The Agreement's *Exhibit E, Programmatic Reports, Records and Evaluations*, identifies specific programmatic reports, records and evaluation that LSF must maintain and/or provide to the Department. The Audit Team judgmentally selected four types of required programmatic reports submitted by LSF and reviewed them for sufficiency:

1. Monthly Narrative and Statistical Progress Report – This report documents any accomplishments, revisions, non-compliance, on-going monitoring and other information relating to the program objectives of the Department and of LSF. Three reports were judgmentally selected and reviewed: October 2016, December 2016, and March 2017.
2. Staff Credential Report – This is a monthly report that documents the credentials of LSF's Early Head Start staff, their FCCH providers and the progress made in meeting the Head Start requirements for first aid and CPR training. Three reports were judgmentally selected and reviewed: October 2016, December 2016, and March 2017.
3. Eligibility, Recruitment, Selection, Enrollment, Attendance (ERSEA) Report – The purpose of this weekly report is to outline the on-going status of recruitment efforts. In order to reach those most in need of services, a program must develop and implement a recruitment process designed to actively inform eligible participants of the availability of program services. Three weekly reports were judgmentally selected and reviewed: week of February 17, July 14, and August 1, 2017.
4. School Readiness Outcome Report – The purpose of this report is to document the progress of children's development with regards to the *Head Start/Early Head Start Outcomes Framework* (Framework). The Framework describes the skills, behaviors, and knowledge that programs must foster in all children. This report is required 3 times per year. One report was judgmentally selected and reviewed: Winter 2016.



**Results of Testing**

For the three *Staff Credential Reports* reviewed, none included a hire date for staff. As a result, the Audit Team could not determine whether or not the individuals whose credentialing was noted as “in progress” were still within the completion requirement of “within one-year of hire.”

The remaining reports reviewed all appeared to sufficiently provide appropriate information and data.

**Monitoring of Family Child Care Homes**

According to the Agreement’s *Scope of Services* (Exhibit A), LSF shall deliver early childhood education, health, nutritional, social, and emotional child development programs to economically disadvantaged infants and/or toddlers in accordance with the Head Start Act. LSF has subcontracted with 30 FCCH providers to provide Early Head Start services to enrolled infants & toddlers.

The Department conducts on-site monitoring visits for each of the 30 FCCH providers, as required by the Agreement’s *Exhibit E, Programmatic Reports, Records and Evaluations*. A variety of inspections and/or reviews occur. Each type of visit/review/inspection occurs at least once each program year.

The Audit Team obtained and reviewed copies of completed reports for the following types of reviews or inspections:

1. *Family Child Care Environment Rating Scale* – This is an assessment tool used by the Department to monitor and rate the quality of the FCCH sites in seven areas: Space and Furnishings, Personal Care Routines, Listening & Talking, Activities, Interaction, Program Structure, and Parents & Provider.
2. *Family Engagement File Reviews* - The Department performs periodic file reviews at the FCCH sites for documentation supporting the Family Engagement initiatives undertaken. Agencies are required to consult with parents in establishing school readiness goals as per the *Head Start Performance Standards*. Supporting a child’s school readiness is an ongoing partnership between staff and the family.
3. *Health Services File Review* - The Department performs periodic file reviews at the FCCH sites for documentation supporting health services initiatives undertaken. The *Head Start Performance Standards* require that a Head Start/Early Head Start program provide health, dental, mental health, and nutrition services that are appropriate and will support each child’s growth and school readiness.
4. *Health and Safety Inspections* - The Head Start Performance Standards require a system of health and safety practices to be established and enforced to ensure that children are kept safe at all times. This includes first aid and CPR training for staff.

5. *Playground Safety* – Visual inspections of the “play” areas maintained at the FCCH sites are performed by Department personnel to ensure that play areas and equipment are safe and do not pose any health or safety issue.
6. *Short Observation* – This inspection type is used to document the results of environmental observations during an on-site inspection. The purpose of the environmental observation is to evaluate the teaching practices and teacher-child interactions.
7. *Quality Improvement* – This is a review of an enrolled child’s file for documentation of compliance to specific health, educational, and parental engagement requirements.

### **Results of Testing**

Overall, the Department has developed and implemented adequate monitoring activities to ensure that family child care homes operated by LSF are in compliance with the Agreement and *Head Start Performance Standards*.

The Audit Team did not observe any material concerns. Issues or deficiencies identified by the Department had corrective actions identified and follow-ups had been conducted and documented to ensure corrections were made.

### **RECOMMENDATION**

Management should consider requiring LSF to provide the hire date on the *Staff Credential Reports* to ensure that the individuals whose credentialing is “in progress” do not exceed the completion requirement of “within one-year of hire.”

### **CLIENT RESPONSE:**

*Concur*

### **CORRECTIVE ACTION PLAN:**

*As of date, the Department Director, Dr. Jenkins, has met with Delegate Director, Sylvia Hubbard, to ensure that the existing column on the Credential Report form will be completed as noted to document compliance within the current policy. This meeting occurred on March 1, 2018. Additionally, Grantee staff have been instructed to validate hire date as a part of on-going quality assurance.*

**TARGET COMPLETION DATE:** *March 1, 2018*