



**STATE OF FLORIDA  
DEPARTMENT OF JUVENILE JUSTICE**

**INTEROFFICE MEMORANDUM**

**DATE:** June 19, 2008

**TO:** Frank Peterman Jr., Secretary

**FROM:** <sup>for</sup> Mary Roe Eubanks, Inspector General

**SUBJECT:** Six Month Follow-up for Auditor General Audit No. 2008-029 – *Department of Juvenile Justice Detention Care Cost Sharing and Cost-of-Care Fees Including Follow-up on Prior Audit Finding.*

In accordance with Section 20.055(5)(g), Florida Statutes, the Office of the Inspector General, Bureau of Internal Audit has concluded its six-month follow-up on the status of the Department's corrective action in response to Auditor General *Audit Number 2008-029, Department of Juvenile Justice Detention Care Cost Sharing and Cost-of-Care Fees Including Follow-up on Prior Audit Finding.*

The Auditor General identified issues involving detention care cost sharing and cost-of-care fees. The audit also examined the Department's efforts to correct issues identified in a previous cost-of-care audit (report #2006-030, September 2005). All findings requiring the department to initiate corrective actions have been fully or partially addressed. Please see the attached follow-up report.

We have determined additional follow-up may be necessary for planned actions. If you have any questions, please feel free to contact Michael Yu, Audit Director, at 921-5698.

ME/my/ap

Attachments

Cc: Rod Love, Deputy Secretary  
Bonnie Rogers, Chief of Staff  
Naomi Screen, Management Review Specialist  
David W. Martin, CPA, Auditor General  
Terry L. Shoffstall, Director, Legislative Auditing Committee

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Charlie Crist, Governor

Frank Peterman, Jr., 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.*

Department of Juvenile Justice  
 OIG Bureau of Internal Audit

Follow-Up On Auditor General Audit Number 2008-029

“Detention Care Cost Sharing and Cost-of-Care Fees Including Follow-Up on Prior Audit Findings”  
 Status of Corrective Actions As of June 2008

Finding 1: The Department did not retain documentation to support the July 2005 initial shared detention care cost calculation estimates utilized for billing the counties for the first five months of the 2005-06 fiscal year (the first fiscal year cost sharing was enacted). Absent documentation, the Department could not demonstrate that the amounts initially assessed the counties were determined in accordance with established methodology in Department rule.	Audit Recommendations	Agency Response	Status of Implementation
<p>The Department retains all documentation used in detention care cost sharing calculations to ensure a demonstration that all billings to the counties conform to the requirements of law and rule.</p>	<p>Beginning with fiscal year 2007-2008, all documentation used to calculate the beginning cost estimates and billing amounts per county are maintained on file and made available on the Department's internet page at <a href="http://www.djj.state.fl.us/costsharing/index.html">http://www.djj.state.fl.us/costsharing/index.html</a>.</p>	<p>Fully Implemented.</p>	
<p>Finding 2: The Department did not maintain a dispute log to track the receipt, action taken, and final resolution of each disputed county charge. Furthermore, the Department had not established benchmarks that addressed time frames for Department response to disputes. As a result, Department decisions relative to disputes were not timely. Also, Department correspondence did not provide detailed responses for each disputed case and identified some disputed issues that had not been resolved at the time of the Department's year-end reconciliation. The accuracy of the year-end reconciliation of differences between estimated cost and actual detention care cost is dependent on the Department's timely response to, and resolution of, county dispute issues and effects the Department's final county invoices for detention usage.</p>	<p>To ensure effective monitoring of county disputes, the Department implement a mechanism to track county disputes received, reviewed, actions taken, and final resolution.</p> <p>To ensure effective monitoring of county disputes, the Department work diligently within established benchmarks to resolve all discrepancies disclosed by county disputes and provide detailed responses for each disputed case to the counties to ensure that the annual reconciliation is accurate and timely.</p>	<p><b>Agency Response</b>        Beginning at the end of fiscal year 2006-07, all dispute correspondence is directed to the Director of Administration. Disputes are logged into a tracking system and referred to an employee for resolution.</p> <p>The implementation of the monthly billing system in July 2008 will automate all disputes and responses. With the addition of three positions appropriated by the legislature to begin work in April 2008, the planned benchmark for responses is 10 calendar days. All responses to the counties are detailed to provide an item-by-item response to each dispute. The new system will be finalized and tested by end of December 2007.</p>	<p><b>Status of Implementation</b>        Fully Implemented. All county disputes are now tracked by the Office of Administration and responses to the counties are detailed to provide an item by item response to each of the disputes submitted. With the implementation of the monthly billing system in July 2008, all disputes by a county and responses by the Department will be automated and the planned benchmark for Department response time is 10 calendar days.</p>

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Audit Recommendations	Agency Response	Status of Implementation
<p>Adjust the county accounts, as appropriate, for the \$123,273 discrepancy noted above.</p>	<p>\$13,363 was identified as incomplete adjusting entries and corrected in November 2007. The Department is working to identify the remaining amount.</p>	<p>The Department partially identified \$13,363 of the \$132,273. Despite efforts we have not been able to identify the remaining \$118,910.</p>
<p>As timely as possible perform the required reconciliation.</p>	<p>We disagree. The department's current reconciliation activities are completed as timely as possible.</p>	<p>No Action Required. The Department does not currently plan to reconsider the reconciliation completion dates incorporated in the Department rule. The added timeframe is necessary to adequately allow for the Department's review of disputes. Also, final expenditure information is not available until after September 30 (the last day of the certified forward process).</p>
<p>Reconsider the reconciliation completion dates incorporated in the Department rule, as revised.</p>	<p>We disagree. No plans to reconsider the reconciliation completion dates. The added time is necessary for Department to review disputes.</p>	<p>Fully Implemented. Financial records for the 2006-07 fiscal year correctly reflected the Department's accounts payable, receivable, and advance payments to and from the counties.</p>
<p>Appropriately record in FLAIR all fund activity and transactions.</p>	<p>The Department will conduct quarterly reviews of cost share funds. The Bureau of Finance and Accounting has developed a Financial Statement Manual to assist with recording data in FLAIR.</p>	<p>Partially Implemented. The Department is working closely with legislative staff and the Executive Office of the Governor, Office of Planning and Budgeting, to seek advice and action, as necessary, to address the financial condition of this Fund. Beginning in fiscal year 2007-08, all General Revenue funds appropriated for the detention costs of fiscally constrained counties are journal transferred to the Fund on a quarterly basis.</p>
<p>Review the funds balance and seek legislative and Executive Office of the Governor, Office of Planning and Budgeting, advice and action, as necessary, to address the financial condition of this fund.</p>	<p>The Department is coordinating with Legislative Affairs and EOG to address the financial condition of this fund. Financial statement procedures have been updated for the recording of payable, receivables and advances for the fund. Beginning fiscal year 2007-2008, all GR funds for detention cost of fiscally constrained counties are transferred to the fund on quarterly basis.</p>	<p>Partially Implemented. The Department is working closely with legislative staff and the Executive Office of the Governor, Office of Planning and Budgeting, to seek advice and action, as necessary, to address the financial condition of this Fund. Beginning in fiscal year 2007-08, all General Revenue funds appropriated for the detention costs of fiscally constrained counties are journal transferred to the Fund on a quarterly basis.</p>

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Audit Recommendations	Agency Response	Status of Implementation
<p>The Legislature should amend Section 985.686(6), Florida Statutes, to reference the Shared County/State Juvenile Detention Trust Fund instead of the Juvenile Justice Grants and Donations Trust Fund.</p>	<p>The Department is currently seeking a sponsor for a bill relating to detention cost sharing. The bill will amend s.985.686, F.S., to reference Shared County/State Juvenile Detention Trust Fund. If proposal passes 2008 legislative session, it should take effect July 01, 2008.</p>	<p>Fully Implemented. Senate Bill 2100 passed this 2008 legislative session and the name of the trust fund will be changed to reference the Shared County / State Juvenile Detention Trust Fund. It will take effect July 1, 2008.</p>
<p><b>Finding 5: The Department failed to record \$7,541,281 in accounts receivable in FLAIR for cost-of-care fees at June 30, 2006. Additionally, the Department did not retain Accounts Receivable Management System (ARMS) data to support the reported accounts receivable fiscal year-end balance.</b></p>	<p>Prior to June 30, 2008, Finance and Accounting plans to develop a desk procedure to outline the process for recording timely and accurate year-end accounts receivable balances. The Department also retains ARMS data to support the recorded balances and maintains back up of the data in two different electronic formats, in two locations. Duplicate accounts are currently not being billed. Two full-time OPS employees have been hired to work on duplicate accounts. Estimated completion date of by February 2009.</p>	<p>Fully Implemented. Finance and Accounting has developed a desk procedure to outline the process for recording timely and accurate year-end accounts receivable balances. In addition, beginning with fiscal year 2006-07, the Department retains ARMS data to support the recorded balances and maintains back up of the data in two different electronic formats (Excel &amp; PDF), in two different locations (The departments share drive &amp; CD-ROM).</p> <p>Partially Implemented. In December 2007 we allocated funding for 2 full time OPS positions to work on the duplicate accounts. As of April 30, 2008 there are 9,144 remaining accounts that need to be audited and corrected. Based on an average 200 accounts per month/per person, the process is estimated to be complete by the end of 2009.</p>
<p>The Department ensures that year-end accounts receivable balances are timely and accurately updated in FLAIR and that procedures be established to ensure that Accounts Receivable Management System (ARMS) data supporting the reported accounts receivable balance are retained. We also recommend that the Department continue to review and adjust the potential duplicate accounts.</p>	<p>Prior to June 30, 2008, Finance and Accounting plans to develop a desk procedure to outline the process for recording timely and accurate year-end accounts receivable balances. The Department also retains ARMS data to support the recorded balances and maintains back up of the data in two different electronic formats, in two locations. Duplicate accounts are currently not being billed. Two full-time OPS employees have been hired to work on duplicate accounts. Estimated completion date of by February 2009.</p>	<p>Fully Implemented. Finance and Accounting has developed a desk procedure to outline the process for recording timely and accurate year-end accounts receivable balances. In addition, beginning with fiscal year 2006-07, the Department retains ARMS data to support the recorded balances and maintains back up of the data in two different electronic formats (Excel &amp; PDF), in two different locations (The departments share drive &amp; CD-ROM).</p> <p>Partially Implemented. In December 2007 we allocated funding for 2 full time OPS positions to work on the duplicate accounts. As of April 30, 2008 there are 9,144 remaining accounts that need to be audited and corrected. Based on an average 200 accounts per month/per person, the process is estimated to be complete by the end of 2009.</p>

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Finding 6: Deficiencies in Department records and actions relating to cost-of-care accounts continue to exist and impact the billing, collecting, and reporting of cost-of-care fees.		
Audit Recommendations	Agency Response	Status of Implementation
<p>The Department ensures the accuracy of Department records and takes action to improve the billing, collecting, and reporting of cost-of-care fees.</p>	<p>Technical consultants will be hired in November 2007 to improve ARMS and the overall billing, collection and reporting of cost-of-care fees. All pending upgrades and modifications to ARMS will be completed by June 2008.</p>	<p>Partially Implemented. The Department's Accounts Receivable Management System (ARMS), while operational, still requires a substantial amount of modifications and upgrading. The main focus is on getting invoices distributed on a monthly basis in order to generate revenue to fund the Cost of Care budget. MIS currently dedicates one staff member to the maintenance of three different Finance and Accounting business systems, Cost of Care being one of them. Additional contracted services funding has allowed us to hire technical consultants to improve ARMS and the overall billing, collection and reporting of cost-of-care fees. As of May 2008, there is a current listing of approximately 40 items that describe updates and enhancements needed to the ARMS system. It is hoped that with the additional resources dedicated to this project that all pending upgrades and modifications to the ARMS system will be completed by October 2008.</p>

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Finding 7: The Department failed to timely submit cost-of-care delinquent accounts to the State collection agent and failed to submit uncollectible cost-of-care accounts to the Department of Financial Services for write-off approval.		
Audit Recommendations	Agency Response	Status of Implementation
<p>The Department take action to timely submit delinquent cost-of-care accounts to the State collection agent and submit uncollectible accounts to DFS for write-off approval.</p>	<p>Due to process improvements for submissions to the State collection agents and a change in state collection agents, the department submittals were delayed for quality assurance purposes. Process designs for electronic submittals to and from collection agent continues. Finance and Accounting is coordinating with DFS and the State collection agent to determine process for transmitting accounts to DFS for write-off.</p>	<p>Fully Implemented. As of March 30, 2008, Finance and Accounting has electronically submitted 60,000 accounts to General Revenue Cooperation (GRC), the current state contract provider for collection services. Work continues to design processes to systematically handle electronic transfers both to and from GRC.</p> <p>Partially Implemented. Finance and Accounting is working with DFS staff and GRC to determine an appropriate process for transmitting accounts to DFS for write-off approval after the collection agency has exhausted all means of collection. The additional technical consultants hired to improve ARMS mentioned in finding number six, will also be used to expedite the work needed to complete the development of the collection account transfers to GRC as well as DFS. The Department plans to have a process in place prior to June 30, 2008.</p>