

Date: April 3, 2018



CLERK OF THE CIRCUIT COURT – AGENDA ITEM Marion County Commission

SUBJECT: Present Report No. 2018-03, Limited Review of Funding Requests by The Centers, Inc.

INITIATOR: Sachiko H. Leon, Internal Auditor

DEPARTMENT: Clerk of Court

DESCRIPTION/BACKGROUND: Internal Audit completed a limited review of the funding requests from The Centers, Inc. (the Centers) to the Marion County Board of County Commissioners (Board). **It is our opinion** that details of funding requests from the Centers should be more transparent and from verifiable sources. Additionally, the County should provide more management oversight during the budget process.

We recommend:

1. The Centers be transparent and apply a consistent and verifiable methodology in the future budget requests to disclose the Board's minimum funding requirement.
2. Any additional funding needs be requested separately from the minimum funding requirement.
3. The key stakeholders including the Centers, the County Administration, and the Clerk's Office agree on the consistent and verifiable methodology which meets the applicable State Statutes and Administrative Code.
4. The County Administration designate an appropriate department as a layer of management oversight during the annual budget process.
5. New funding agreement identifying the agreed-upon methodology be approved by the Board.

The Centers and the County Administration agreed to all recommendations and have implemented Recommendations No. 1 through No. 4. Recommendation No. 5 is in the process of being implemented.

BUDGET IMPACT: None

RECOMMENDED ACTION: None, for informational purposes only



LIMITED REVIEW: FUNDING REQUESTS BY THE CENTERS, INC.

Report No. 2018-03

Presented To
The Honorable Board of Marion County Commissioners
Mounir Bouyounes, County Administrator

March 20, 2018

Issued by
David R. Ellspermann, Clerk of the Circuit Court and Comptroller
Sachiko H. León, Internal Auditor

ENGAGEMENT TEAM

Andrew Gibb
Sachiko H. Leon, CIA, CISA, CRMA, CGAP

EXECUTIVE SUMMARY

Internal Audit completed a limited review of the funding requests from The Centers, Inc. (the Centers) to the Marion County Board of County Commissioners (Board) pursuant to a request from the Clerk of the Circuit Court and Comptroller.

Our audit scope was limited to: 1) the statutory local participation requirements in funding of the applicable alcohol and mental health services provided by the Centers in fiscal years (FY) 2013-2018; and 2) the County oversight of the funding process.

It is our opinion that details of funding requests from the Centers should be more transparent and from verifiable sources. Additionally, the County should provide more management oversight during the budget process.

We recommend:

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The Centers and the County Administration agreed to all recommendations and have implemented Recommendations No. 1 through No. 4. Recommendation No. 5 is in the process of being implemented.

OBJECTIVE

Verify that the Centers has continued to follow the two recommendations published in Report No. 2006-05:

1. The Centers be required to provide more detailed information on its funding needs and local matching sources, particularly as related to the statutory matching requirements and the amounts allocated to both Marion County and Citrus County.
2. The Centers funding request be reviewed and evaluated by the Community Services Director as part of the annual budget process.

This audit was performed pursuant to a request of the Clerk of the Circuit Court and Comptroller.

SCOPE AND OUR APPROACH

The audit scope was limited to the funding requests and related budget process of the Centers to the Board between FY 2013 to FY 2018.

Our approach included reviewing relevant documentation, understanding laws and regulations governing the local participation requirements of "community alcohol and mental health services," performing analytical procedures, and making inquiries to management and staff members to obtain adequate and sufficient evidence to form our opinion.

BACKGROUND

The Centers, Inc. is a State designated facility that provides community alcohol and mental health services to the residents of Marion County and Citrus County. As required by Florida Statutes, the Centers is responsible for securing 25% "local participation" (local match) for applicable community alcohol and mental health programs.

Florida Statute 394.76, Financing of district programs and services, regulates the local match requirements. Specifically, Sta. 394.76(9)(a) requires the governing bodies within a district, which are the Board of County Commissioners of Marion County and Citrus County, to participate in the funding of applicable programs. Florida Administrative Code 65E-14.005 distinguishes allowable and unallowable costs for matching to satisfy the State requirements.

Florida Statute 394.76(9)(a) states "... required to participate in the funding of alcohol and mental health services The amount of the participation shall be at least that amount which, when added to other available local matching funds, is necessary to match state funds"

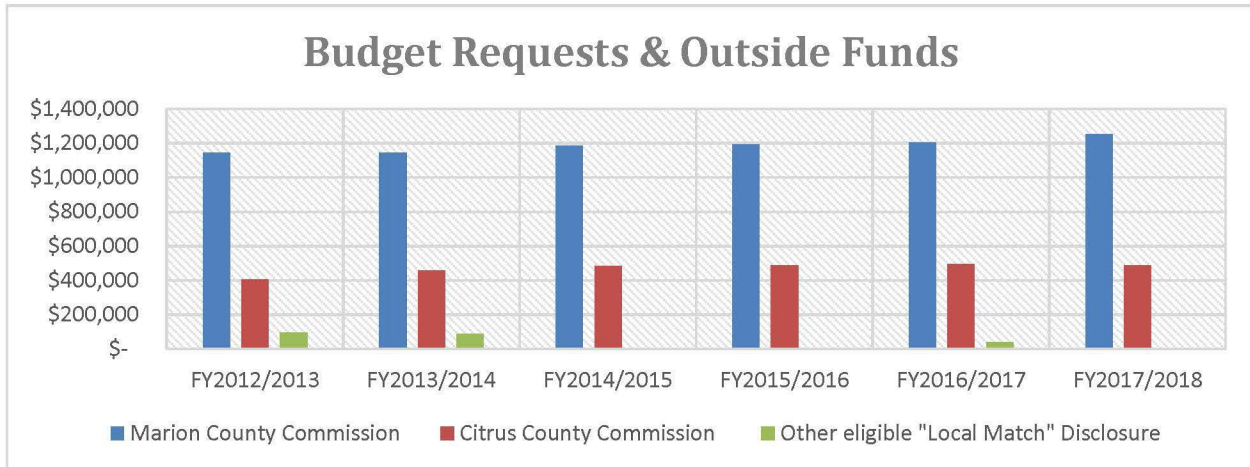
Our interpretation of the Statute are as follows:

- The Board's minimum requirement is the difference between the applicable "local match" per State funding and the other matching funding sources described in Florida Administrative Code (see below).
- The Board has the authority to fund more than the minimum amount.

Florida Administrative Code 65E-14.005, Allowable "matching" sources:

- a) Allowable costs supported by non-State or Federal grants incurred by the service provider during the effective funding period
- b) The value of third-party funds and in-kind contributions applicable to the matching requirement period
- c) Costs supported by fees and program income

The Board has funded more than a million dollars each year of the audited period as part of the required local match. The Board does not have to be the sole funding source of the local match; therefore, the level of funding by the Board fluctuates depending on other eligible sources.



RESULTS

It is our opinion that details of funding requests from the Centers should be more transparent and from verifiable sources. Additionally, the County Administration should provide more management oversight during the budget process.

We noted, through a review of the funding requests submitted to the Budget Department and inquiries, that the Internal Audit recommendations from Report No. 2006-05 were not being followed. Disclosure of other local matching sources was not consistent, and the Community Services Department was not providing oversight.

We observed the following conditions:

- There was no disclosure of other "local match" in FY 2015, FY2016, and FY2018 budget requests.
- FY 2013, FY 2014, and FY 2017 funding requests disclosed the other local matches, but the Centers was unable to trace FY 2013 and FY 2017 local matches to their source.
- The Centers management asserted that they did not know how the previous management had come up with the other local matches or the reasons for no disclosure.
- The Community Services Department Director was not aware of the recommendations.
- The County Administration concurred with providing administrative oversight and designated the Community Services Department to provide the oversight for the FY 2019 funding request.
- The Board has the authority to fund the Centers with more than the minimum requirements; therefore, funding the entire 25% local match requirement in the past was within the authority.

Funding Request Summary

	FY2012/2013	FY2013/2014	FY2014/2015	FY2015/2016	FY2016/2017	FY2017/2018
Projected state funds	\$ 4,790,770	\$ 4,993,525	\$ 5,000,279	\$ 5,030,288	\$ 5,206,393	\$ 5,214,362
Required "Local Match"	\$ 1,596,923	\$ 1,664,508	\$ 1,666,760	\$ 1,676,763	\$ 1,735,464	\$ 1,738,121
Less: Other eligible "Local Match" Disclosure	\$ 95,650	\$ 87,714	\$ -	\$ -	\$ 38,926	\$ -
Required Funding by Marion and Citrus BCC	\$ 1,501,273	\$ 1,576,794	\$ 1,501,273	\$ 1,676,763	\$ 1,696,538	\$ 1,738,121
Marion BCC Required Portion Per Census	\$ 1,095,929	\$ 1,119,524	\$ 1,183,400	\$ 1,190,502	\$ 1,202,337	\$ 1,251,447
Additional Amount Approved	\$ 47,829	\$ 24,234				
Total Funded by Marion BCC	\$ 1,143,758	\$ 1,143,758	\$ 1,183,400	\$ 1,190,502	\$ 1,202,337	\$ 1,251,447

The management of the Centers and the Community Services Department have had several turnovers since issuing Report No. 2006-05. Attempting to retrospectively recreate the budget requests was not reasonable or economical; however, we believe our previous recommendations are still valid. Additionally, we believe a clear methodology to the process will be beneficial in the future budget request process.

We therefore recommend:

1. The Centers be transparent and apply a consistent and verifiable methodology in the future budget requests to disclose the Board's minimum funding requirement.
2. Any additional funding needs be requested separately from the minimum funding requirement.
3. The key stakeholders including the Centers, the County Administration, Budget Department, and Finance Department agree on the consistent and verifiable methodology which meets the applicable State Statutes and Administrative Code.
4. The County Administration designate an appropriate department as a layer of management oversight during the annual budget process.
5. New funding agreement identifying the agreed-upon methodology be approved by the Board.

The Centers and the County Administration agreed to all recommendations and have already implemented Recommendations No. 1 through 4. The Centers has provided a proposed methodology that includes audited trial balances. The key stakeholders have reviewed the provided methodology and found it reasonable and in compliance with the applicable laws and regulations. The County Administration has designated the Community Services Director to oversee the Centers funding request for FY 2019 budget process. The Procurement Services Department plans to draft a new agreement and incorporate the new methodology.

ACKNOWLEDGMENT

We would like to express our appreciation to the management and staff of the Centers, the County Administration, Procurement Services Department, Community Services Department, Budget Department, and Finance Department for their cooperation and assistance during this review.

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