



AUDITOR GENERAL

DAVID W. MARTIN, CPA



DEPARTMENT OF JUVENILE JUSTICE

DETENTION CARE COST SHARING AND COST-OF-CARE FEES INCLUDING FOLLOW-UP ON PRIOR AUDIT FINDING

Operational Audit

SUMMARY

As summarized below, our audit of the Department of Juvenile Justice (Department) for the period July 2005 through February 2007, and selected Department actions taken through August 31, 2007, focused on detention care cost sharing and cost-of-care fees. The audit also included a follow-up on the Department's actions to correct deficiencies related to cost-of-care fees disclosed in our prior audit (report No. 2006-030, dated September 2005). We found that some processes and controls established by Department management for these activities were in need of improvement to minimize the associated risks.

DETENTION CARE COST SHARING

Finding No. 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.

Finding No. 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 costs and actual detention care costs is dependent on the Department's timely response to, and resolution of, county dispute issues and affects the Department's final county invoices for detention usage.

Finding No. 3: Actual detention care costs used in the Department's 2005-06 fiscal year-end reconciliation did not agree (unexplained difference of \$132,273) with the expenditures for detention care shown by the Florida Accounting Information Resource Subsystem (FLAIR). In addition, the Department failed to timely reconcile differences between estimated and actual detention costs, contrary to Section 985.686(5), Florida Statutes, and, consequently, the counties were not timely invoiced or credited for detention usage. The untimely reconciliation also precluded the Department's timely adjustment of the General Revenue Fund special category established for fiscally constrained counties. Further, the Department did not ensure that financial records at June 30, 2006, accurately reported Shared County/State Juvenile Detention Trust Fund operations. Specifically, accounts payable totaling \$5,968,303, accounts receivable totaling \$3,678,313, and advances received totaling \$3,879,079 were not recorded. An estimated \$11 million deficit fund balance existed as of the end of the 2005-06 fiscal year for the Shared County/State Juvenile Detention Trust Fund.

Finding No. 4: 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.

COST-OF-CARE FEES

Finding No. 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.

Finding No. 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.

Finding No. 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.

BACKGROUND

The Department was created by Section 20.316, Florida Statutes. The head of the Department is the Secretary, who is appointed by the Governor and subject to confirmation by the Senate. The Secretaries who served the Department during the audit period are as follows:

**Table 1
Department Secretaries and Dates of Service**

Secretary	Dates of Service
Anthony J. Schembri	January 28, 2005 - January 2, 2007
Cynthia R. Lorenzo (Interim Secretary)	January 2, 2007 - February 2, 2007
Walter A. McNeil	February 1, 2007 - Present

Source: Department personnel records.

The Department’s Division of Administration is responsible for administering detention care cost sharing¹ and cost-of-care fees.² The objective of detention care cost sharing is to allocate between the State and the various counties the financial obligations associated with the provision of detention care to juveniles.

¹ Section 985.686, Florida Statutes.

² Section 985.039, Florida Statutes.

Cost-of-care fees are daily fees assessed by the State to offset the State’s cost of supervision and care. Parents (including guardians and noncustodial parents), pursuant to court orders, are responsible for payment of cost-of-care fees.

FINDINGS AND RECOMMENDATIONS

The establishment of certain management processes and internal policies and procedures to promote Department compliance with State laws, rules, and applicable guidelines is vital to the effective and efficient management of the Department. The effective dissemination of these internal policies and procedures, proper training, and monitoring are key to ensuring that employees have the necessary skills and resources to achieve organizational success. In this report, we describe deficiencies related to the Department’s administration of detention care cost sharing and cost-of-care fees.

Detention Care Cost Sharing

Pursuant to State law,³ the State and counties have a joint obligation to pay the costs of the detention care provided for juveniles. The State must pay the cost of detention care incurred following final court disposition. Each county, except those designated as fiscally constrained,⁴ must pay the costs of providing detention care for the period of time prior to final court disposition, exclusive of the costs of any preadjudicatory nonmedical educational or therapeutic services. The State must pay all costs of detention care for which a fiscally constrained county would otherwise be billed.

The Department is responsible for calculating detention costs at the beginning of each fiscal year, developing a system to estimate the costs that are payable by each of the counties, and reconciling any differences between estimated costs paid by the counties during the fiscal

³ Section 985.686, Florida Statutes.

⁴ Section 985.686(2)(b), Florida Statutes, states that a “fiscally constrained county” means a county within a rural area of critical economic concern as designated by the Governor pursuant to Section 288.0656, Florida Statutes, or each county for which the value of a mill will raise no more than \$5 million in revenue, based on the certified school taxable value certified pursuant to Section 1011.62(4)(a)1.a., Florida Statutes, from the previous July 1.

year and actual costs of each county’s usage during that period. **APPENDIX A** shows the Department’s shared detention care cost calculations (July 2005 [initial calculation], November 2005 [interim calculation], and March 2007 [final calculation]) for the 2005-06 fiscal year.

Finding No. 1: Shared Cost Estimates

Pursuant to Department rule,⁵ the calculation of each county’s estimated share of detention care costs for the first fiscal year of cost sharing (2005-06) was to be made by allocating the cost of detention, as fixed by the Legislature, to each county based on the number of each county’s youth served in the 2004-05 fiscal year in secure detention facilities, as reflected in the Juvenile Justice Information System (JJIS).

Our audit disclosed that the Department did not retain documentation to support the July 2005 initial estimated shared detention care cost calculation that was utilized for billing the counties for the first five months of the 2005-06 fiscal year. Specifically:

- The Department was unable to provide documentation showing how the estimated costs of detention care, as used in the Department’s initial cost-sharing calculations, had been derived. The amount used (\$108,262,810) in the initial estimate of costs was approximately \$5 million less than the Department’s final actual determination of cost for the 2005-06 fiscal year.
- According to Department staff, JJIS reports showing the numbers of each county’s youth served in the 2004-05 fiscal year were not available and could not be reproduced for comparison to the numbers used in the Department’s calculations.

Absent documentation, the Department cannot demonstrate that the amounts initially assessed the counties for the first fiscal year of enactment of detention care cost sharing (2005-06) were determined in accordance with established methodology in Department rule.

Recommendation: We recommend that the Department retain 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.

Finding No. 2: Dispute Resolutions

Pursuant to Department rule,⁶ each quarter, the Department is to prepare a report showing actual youth served for each county. This report contains information related to each youth, such as the youth’s name, address, and number of detention days. Department rule provides that the report is to assist counties in fiscal planning and budgeting and is not a substitute for the annual reconciliation or grounds for adjusting or withholding payment to the Department.

The report is to be provided to the counties 45 days after the end of each quarter. Disputes such as those related to the served youth’s county of residence and the number of chargeable service days must be brought to the Department’s attention within 90 days of the county’s receipt of the quarterly report.

During the audit period, the Department received disputes from some counties relating to the number of youth served during the 2005-06 fiscal year. To gain an understanding of the dispute process, we reviewed disputes submitted to the Department by four counties (Hernando, Hillsborough, Pinellas, and Sarasota). Information related to the dates of these county disputes and the Department’s responses to those counties is shown in Table 2 below:

**Table 2
Disputes for Selected Counties –
Dates of Dispute Receipt and Response**

County	Dispute Letter Date	Department Response Date	Number of Days
Hernando	12-18-06	04-04-07	107
Hillsborough	08-14-06	04-04-07	233
	10-11-06	04-04-07	175
	11-07-06	04-04-07	148
Pinellas	12-18-06	04-06-07	109
Sarasota	11-30-06	04-06-07	127

Source: Department correspondence files.

⁵ DJJ Rule 63G-1.004, Florida Administrative Code.

⁶ DJJ Rule 63G-1.007, Florida Administrative Code.

Our understanding of the dispute process disclosed the following:

- The Department did not maintain a dispute log to track the receipt, action taken, and final resolution of each disputed county charge.
- The Department had not established benchmarks addressing time frames within which the Department must respond to disputes to ensure the timely resolution thereof. As a result, we found that the Department did not timely respond to county disputes. As shown in Table 2 above, the Department provided responses to the four counties anywhere from 107 to 233 days after the date of the dispute letter. One county (Hillsborough) stated in its November 7, 2006, letter to the Department that “To date, the Department has not acknowledged our correspondence or fixed the errors. As a result, [Hillsborough County] was forced to analyze the data as provided and found other serious problems as evidenced by the enclosed disputed charges.” Hillsborough County had disputed charges totaling \$2,974,539.75 (18,655 days at \$159.45). Furthermore, the Department has continued to correspond with some counties regarding their disputes for the 2005-06 fiscal year through August 2007.
- County dispute correspondence generally included, for each disputed case, detail by juvenile showing the disputed case information. To effectively demonstrate the Department’s review and decisions relative to each disputed charge, Department correspondence to counties relative to the disputes should address in detail, for each disputed case, the Department’s decision. We found that the Department did not provide detailed responses for each disputed case. Rather, the Department provided only blanket responses such as “The data provided in your annual reconciliation for fiscal year 2005-06 has incorporated all the corrections to data issues identified during the past year.”

Absent the Department’s provision of detailed responses addressing each disputed case, counties must reanalyze each case, leading to protracted dispute resolution processes. For example, in response to the Department’s blanket response, Hillsborough County, in a letter dated May 23, 2007, stated that the Department had not responded satisfactorily either to the County’s objections to the Department’s quarterly and annual reports or to the County’s reconciliation that resulted from countless hours by County staff

who attempted to decipher the information provided by the Department and compare the data to County records. Additionally, the Hillsborough County letter stated that “The only clear response we have received from DJJ is a tabular summary listing amounts to be ‘credited’ to each County. The amount to be ‘credited’ to Hillsborough, according to this summary, is \$792,123. No explanation or basis is provided for this figure so as to allow us to distinguish this from the total amount claimed.”

- The Department’s calculations of county obligations often contained errors with respect to the youth’s county of residence. For example, one specific Department response, included in all four letters to the counties reviewed, involved disputes by the counties relating to nonresidents (youth whose addresses were outside the county). The Department stated that a complete review of city, county, and State combinations had been done to correct the errors identified by the counties.

In an effort to resolve the dispute filed by Hillsborough County, the Department analyzed the reconciliation provided by the County for the 2005-06 fiscal year. For two issues (youth whose addresses were outside Hillsborough County and youth resident days that conflicted with Hillsborough County Sheriff records), the Department agreed, in a letter dated June 29, 2007, with the County that overcharges had been made. For the issues relating to youth addresses, the city and zip code sometimes crossed county lines. The Department stated that, as a result, entries had to be analyzed manually to determine the correct county of residence. The Department stated in its June 29, 2007, letter that the County had been overcharged for 217 days for youth whose addresses (residences) were outside the County and for 283 days where Department data conflicted with Hillsborough County Sheriff records. A credit to the County for \$79,725 (500 days at \$159.45) was to be applied to the July 2, 2007, invoice.

- It was apparent from the dispute correspondence we reviewed that the resolution of some disputed issues for the 2005-06 fiscal year was still in progress. As of August 31, 2007, for at least one issue relating to before-disposition resident days, the Department stated that the disputed items for the 2005-06 fiscal year were still being researched and that the Department would follow up with Hillsborough County on the issue.

- Disputes from individual counties may also impact other counties. For example, in a letter dated July 27, 2007, to Hillsborough County, the Department stated that, in response to dispute correspondence from Manatee County regarding errors on its 2005-06 fiscal year detention care cost-share reconciliation relating to youth residences, Hillsborough County now owed an additional \$6,218.55 and that amount was to be addressed on the August 1, 2007, invoice.

By not timely reviewing and determining the validity of county disputes, the Department cannot attest to the accuracy of the annual reconciliation of estimated and actual detention care costs. The timeliness and accuracy of the year-end reconciliation is dependent on the Department's timely response to, and resolution of, county dispute issues and affects the Department's final county invoices for detention usage. In addition, absent a tracking mechanism for monitoring county disputes and established benchmarks addressing pertinent time frames for dispute resolution, the Department has reduced assurance that disputed detention care costs by the counties have been timely and adequately resolved and resulting issues incorporated into the annual reconciliation process.

Recommendation: To ensure effective monitoring of county disputes, we recommend that the Department:

- **Implement a mechanism to track county disputes received, reviewed, actions taken, and final resolution.**
- **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.**

Finding No. 3: Reconciliation

State law⁷ provides that any difference between the estimated costs and actual detention care costs must be reconciled at the end of the State fiscal year. Department rule⁸ requires that the Department provide

⁷ Section 985.686(5), Florida Statutes.

⁸ DJJ Rule 63G-1.008, Florida Administrative Code, effective July 16, 2006.

a reconciliation statement on or before November 30th of each year to each paying county. If the county's actual usage exceeds that paid, the Department is to invoice the county on or before January 31st. Conversely, if the county's actual usage is less, the Department is to credit the county on the November billing and carry forward any credit balance as necessary. **APPENDIX A** shows the amount each county was invoiced or credited as a result of the reconciliation process described above.

Our tests of the Department's 2005-06 reconciliation process disclosed the following:

- Actual detention care costs used in the Department's 2005-06 fiscal year-end reconciliation totaled \$113,090,751. However, the Department's FLAIR records indicated that detention care expenditures totaled \$113,223,024. The Director of Administration stated that she could not explain the \$132,273 difference. The difference may include detention care costs that should have been allocated and billed to the counties.
- The Department did not timely perform the 2005-06 fiscal year-end reconciliation. The reconciliation was dated March 20, 2007, or almost four months after the required due date of November 30, 2006. The Chief of Staff, in response to audit inquiry, stated that "The Department identified several data integrity issues with the analysis used to extract utilization as well as issues associated with addresses listed in JJIS." She further indicated that these issues required a substantial amount of staff time to correct. The issues raised by the Department are similar to the concerns noted above in Finding No. 2 regarding the timeliness of Department responses to county disputes. These issues impact the year-end reconciliation and affect the Department's final county invoices for detention usage.
- The Department established a special category in FLAIR for recording the detention care costs that were to be allocated to the fiscally constrained counties. Our review of the Department's financial records related to the fiscally constrained counties disclosed that the Department recorded \$5,529,581 in charges to the General Revenue Fund special category in FLAIR for the 2005-06 fiscal year, while the Department's fiscal year-end reconciliation disclosed that actual detention care costs allocated to the fiscally constrained counties totaled \$5,445,569, or \$84,012 less than the General

Revenue Fund charges recorded by the Department. The Department’s failure to timely complete the fiscal year-end reconciliation also precluded the Department’s timely adjustment of the General Revenue Fund special category established for fiscally constrained counties.

- Subsequent to the audit period, the Department revised the Department rule⁹ and changed the Department’s date for completion of the reconciliation from November 30th to January 31st of each year. Under the revised rule, counties will be invoiced or credited for detention usage in April with any excess carried forward.

In response to audit inquiry, the Chief of Staff stated that the original reconciliation due date was changed in Department rule because the Department realized that there was not sufficient time for fourth quarter disputes to be reviewed and acted upon. Fourth quarter reports are to be distributed to the counties 45 days after the end of the quarter. The counties then have 90 days to file any disputes regarding that quarter’s data. For the fourth quarter of the State’s fiscal year, the report is due to the counties August 15th. Disputes must be filed no later than November 15th.

The revised Department rule¹⁰ allows seven months (from July to January) to transpire before State fiscal year-end data must be reconciled. Such delay in performing the reconciliation limits the ability of the State and the counties to timely adjust their financial records and budgets. See **APPENDIX B** for a timeline of this process and the effect that extending the due date of the reconciliation has on other budget and financial activities.

- As indicated above, the Department rule¹¹ (before revision) requires that amounts due shall be payable on or before January 31st. Our audit disclosed that counties were not timely invoiced or credited for detention usage, contrary to Department rule. However, once the 2005-06 fiscal year-end reconciliation was completed on March 20, 2007, our review disclosed that the Department invoiced or provided credits to the applicable counties.

- The Department did not properly record in its FLAIR accounts some Shared County/State Juvenile Detention Trust Fund (Fund) transactions. Specifically, Table 3 shows the amounts that were not recorded in Department accounting records at June 30, 2006:

Table 3
Shared County/State Juvenile Detention Trust Fund

Account Title	As of 06/30/2006
Accounts Payable	\$ 5,968,303
Accounts Receivable	3,678,313
Advances Received	3,879,079

Source: Department's reconciliation and supporting documentation.

Absent the proper recording of these amounts, the Department cannot ensure the accuracy of financial statements and proper reporting of Fund operations. For instance, by improperly recognizing amounts advanced by the counties as a revenue rather than as Advances Received, the Department overstated the amount of revenue received during the period and understated Fund liabilities. This could also result in funding shortages in future years by improperly using future revenues to pay current year expenditures. The Director of Administrative Services confirmed that the Department had calculated a deficit fund balance of \$5,126,517 for the Fund as of the end of the 2005-06 fiscal year. If the issues discussed above relating to not using FLAIR data and not recording some amounts in its accounting records were taken into consideration, the Department’s calculated deficit fund balance at the end of the 2005-06 fiscal year would have been reported at over \$11 million.

In response to audit inquiry, the Director of Administrative Services stated that a *Financial Statement Manual* has been developed and that staff anticipate it will preclude further incidents of this nature.

⁹ DJJ Rule 63G-1.008, Florida Administrative Code, effective March 19, 2007.

¹⁰ Ibid.

¹¹ DJJ Rule 63G-1.008, Florida Administrative Code, effective July 16, 2006.

Recommendation: We recommend that the Department:

- Adjust the county accounts, as appropriate, for the \$132,273 discrepancy noted above.
- As timely as possible perform the required reconciliation.
- Reconsider the reconciliation completion dates incorporated in the Department rule, as revised.
- Appropriately record in FLAIR all Fund activity and transactions.
- Review the Fund’s 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.

Finding No. 4: Trust Fund Clarification in Florida Statutes

Chapter 2005-114, Laws of Florida,¹² created the Shared County/State Juvenile Detention Trust Fund, effective July 1, 2005, to be used as a depository for funds provided for the costs of predisposition juvenile detention. However, Section 985.686(6), Florida Statutes, which directs the Department to record these moneys into the Juvenile Justice Grants and Donations Trust Fund, was not amended.

Recommendation: We recommend that the Legislature 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.

Cost-of-Care Fees

Pursuant to State law,¹³ parents (including guardians and noncustodial parents) may be charged for their child’s time in secure or home detention, probation supervision, residential commitment, conditional release, and postcommitment probation. Such cost-of-care fees are not to exceed \$5 per day for a child in custody (secure detention or residential commitment) or \$1 per day for a child under the

supervision of the Department (home detention, probation supervision, conditional release, or postcommitment probation). The Department is responsible for billing, collecting, and reporting cost-of-care fees.

Cost-of-care fee balances, as shown by the Department’s Accounts Receivable Management System (ARMS) Aging Accounts Receivable Report, are shown in Table 4 below:

**Table 4
Cost-of-Care
Accounts Receivable Balances
(\$ Amounts in Millions)**

Account Title	As of 02/28/2007	As of 06/30/2006
Number of Accounts	100,108	88,836
Accounts Receivable Balance	\$ 51.5	\$ 47.2
Over 90 Days	48.1	43.7
Uncollectible Allowance		40.4

Source: ARMS.

FLAIR records indicated that the Department had collected \$1.7 and \$2.6 million in cost-of-care fees during the 2006-07 (first 8 months) and 2005-06 fiscal years, respectively.

Finding No. 5: FLAIR and ARMS Records

Our audit inquiries and review of Department records and actions related to reporting cost-of-care fees disclosed the following deficiencies:

- The Director of Administrative Services stated that, for the fiscal year ended June 30, 2006, the Department failed to record \$7,541,281 in accounts receivable in FLAIR because of an oversight. The entries to update the accounts receivable balance were never made during the financial statement preparation process.
- The Department did not retain the ARMS data to support the June 30, 2006, reported accounts receivable fiscal year-end balance. Therefore, the Department could not produce detailed records in support of the June 30, 2006, balance. The Director of Administrative Services stated that the ARMS accounts receivable file is constructed such that it shows “as of today” balances at all times and that the system cannot provide details of the specific balances as of a specific date, such as June 30, 2006.

¹² Currently, Section 985.6015(2), Florida Statutes.

¹³ Section 985.039, Florida Statutes.

- Beginning in October 2006, while following up on ARMS data issues, the Department noted accounts that were affected by duplicate billings. Upon audit inquiry, the Director of Administrative Services indicated that the cause of the 13,257 accounts with duplicate billings had been determined and was being resolved.

In audit report No. 2006-030, we recommended that Department management continue efforts to implement procedures for billing, collecting, and accurately recording cost-of-care fees. In addition, we recommended that the Department ensure that ARMS data was accurate and useful for control and management decision-making purposes. In that audit report, we noted that Department personnel indicated in correspondence dated May 17, 2005, that ARMS “is still under development and is far from complete.” In response to our current audit inquiry, the Director of Administrative Services stated on April 25, 2007, that “the ARMS system is still under development.”

Recommendation: We recommend that the Department ensure that year-end accounts receivable balances are timely and accurately updated in FLAIR and that procedures be established to ensure that 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.

Finding No. 6: Account Management

Our audit of 14 cost-of-care accounts disclosed deficiencies in Department records and actions relating to cost-of-care accounts as follows:

- For 2 accounts, the Department did not properly bill the parent, record the receivable, or correctly calculate the amount waived.
- For 1 account, the Department failed to timely update JJIS for a court-ordered waiver, thus causing invoices to be created in error. In response to audit inquiry, the Director of Administrative Services stated that, although the court-ordered waiver was dated December 13, 2005, it was not entered into JJIS until September 7, 2006. As a consequence, invoices were created and sent to the parents for several months.

- For 6 delinquent accounts, the Department did not take any additional action (other than sending out the routine invoices and increasing the amounts owed each month) in an attempt to collect the amounts due. Additionally, the 6 delinquent accounts with invoice dates ranging from November 20, 2004, to August 28, 2006, were not timely submitted to the State collection agent or to the Department of Financial Services (DFS) for write-off. Specifically, two accounts still had not been submitted, as of March 26, 2007, to the State collection agent (or 119 and 276 days, respectively, after becoming 90 days delinquent), and none of the 6 accounts had been submitted to DFS for write-off as of the date of our last audit inquiry (April 25, 2007).

In our prior audit (No. 2006-030), we noted deficiencies related to cost-of-care accounts and, as noted above, deficiencies in Department records and actions continue to exist and impact the billing, collecting, and reporting of cost-of-care fees.

Recommendation: We again recommend that the Department ensure the accuracy of Department records and take action to improve the billing, collecting, and reporting of cost-of-care fees.

Finding No. 7: Delinquent Accounts

In audit report No. 2006-030, dated September 2005, and in Finding No. 6 above, we noted that delinquent accounts had not been submitted to the State collection agent or to DFS for further collection efforts. Also, we noted that accounts known to be uncollectible had not been submitted to DFS for approval to be written off. As shown in Table 5 below, the bulk of the delinquent accounts were not submitted to the State collection agent until May 2006, or eight months after the issuance of our audit report. Also, only 195 accounts totaling \$195,429.50 had been submitted to DFS for write-off as of February 28, 2007.

Table 5
Cost-of-Care Delinquent Accounts
Submitted to the State Collection Agent or DFS

Date	To State Collection Agent		To DFS for Write-Off	
	Delinquent Accounts	Account Value	Accounts	Account Value
07/01/2005	65	\$ 323,670.00		
07/18/2005	64	293,052.00		
08/15/2005	29	136,663.00		
09/07/2005	47	167,587.00		
10/03/2005	29	123,307.00		
12/13/2005				
01/30/2006			77	\$ 85,035.50
05/23/2006	54,513	(1) 38,294,683.29		
07/19/2006			95	99,523.00
01/10/2007			11	5,400.00
02/28/2007			12	5,471.00
Total	54,747	\$ 39,338,962.29	195	\$ 195,429.50

Note: (1) \$272,736.63 had been collected on 2,033 accounts through April 25, 2007.

Source: Department-prepared documents.

On November 30, 2006, the Department was notified by DFS that the debt collections contract had been awarded to a new vendor and DFS provided the Department with a listing of the returned delinquent accounts that had been previously submitted by the Department to the former State collection agent. As of June 5, 2007, the Department had not forwarded the list to the new collection agency, and the Director of Administrative Services stated that the Department was in discussions with the new State collection agent to gain a better understanding of the process so that the Department could submit delinquent accounts for collection.

With regards to submitting uncollectible accounts to DFS, the Director of Administrative Services also stated that the Department was still in the process of creating procedures on how to transmit the accounts to DFS for write-off approval after the collection agency had exhausted all means of collection.

The Department's failure to timely submit the delinquent accounts to the State collection agent increases the risk that the State will not collect on the outstanding debt. The Department's failure to submit uncollectible accounts to DFS and receive such write-off approval limits the Department's ability to effectively manage its accounts. As shown in Tables 4 and 5, the Department currently is managing over 100,000 accounts, many of which, approximately half, should have been written off.

Recommendation: We again recommend that 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.

OBJECTIVES, SCOPE, AND METHODOLOGY

This operational audit focused on the Department's administration of detention care cost sharing and cost-of-care fees. Our objectives were:

- To evaluate the effectiveness of established internal controls in achieving management's control objectives in the categories of compliance with controlling laws, administrative rules, and other guidelines; the economic, efficient, and effective operation of State government; the validity and reliability of records and reports; and the safeguarding of assets.
- To evaluate management's performance in achieving compliance with controlling laws, administrative rules, and other guidelines; the economic, efficient, and effective operation of State government; the validity and reliability of records and reports; and the safeguarding of assets.

Our audit included examinations of various transactions (as well as events and conditions) occurring during the period July 2005 through February 2007, and selected actions taken through August 31, 2007. In conducting our audit, we:

- Interviewed Department personnel.
- Obtained an understanding of internal controls and observed, documented, and tested key processes and procedures related to detention care cost sharing and cost-of-care fees.

- Verified for detention care cost sharing that:
 - The Department had developed a system to allocate costs that were payable by the counties.
 - The Department identified and exempted counties from paying detention costs that were fiscally constrained counties as defined by State law.¹⁴
 - The Department received payments from the counties for the costs of providing detention care, exclusive of the cost of any preadjudicatory nonmedical educational or therapeutic services, for juveniles for the period of time prior to final court disposition.
 - The Department deposited payments into the proper fund.
 - The Department timely recorded, tracked, and responded to county disputes.
- Verified that the Department administered cost-of-care fees to ensure that amounts owed to the State were billed, collected, submitted for collection, or timely written off, and that the Department maintained a current listing of all outstanding accounts.
- Evaluated Department actions taken to correct the deficiencies disclosed in audit report No. 2006-030 relating to cost-of-care fees.
- Performed various other auditing procedures as necessary to accomplish the objectives of the audit.

In our review of Department records supporting detention care cost sharing, we noted that the Department used data from the Juvenile Justice Information System (JJIS) in the calculation of the time that youth served in secure detention facilities. Our audit did not include a determination of the validity and reliability of such JJIS data.

¹⁴ Section 985.686(2)(b) and (4), Florida Statutes.

AUTHORITY

Pursuant to the provisions of Section 11.45, Florida Statutes, I have directed that this report be prepared to present the results of our operational audit.



David W. Martin, CPA
Auditor General

MANAGEMENT RESPONSE

In a letter dated October 29, 2007, the Secretary of the Department of Juvenile Justice provided responses to our preliminary and tentative findings. The letter is included at the end of this report as **APPENDIX C**.

To promote accountability in government and improvement in government operations, the Auditor General makes operational audits of selected programs, activities, and functions of State agencies. This operational audit was conducted in accordance with applicable *Generally Accepted Government Auditing Standards*. This audit was conducted by Dan McWilliams, CPA, and supervised by Frank Becton, CPA. Please address inquiries regarding this report to Dorothy R. Gilbert, CPA, Deputy Auditor General, by e-mail (dorothygilbert@aud.state.fl.us) or by telephone (850-488-5444).

This report and other audit reports prepared by the Auditor General can be obtained on our Web site (<http://www.myflorida.com/audgen>); by telephone (850-487-9024); or by mail (G74 Claude Pepper Building, 111 West Madison Street, Tallahassee, Florida 32399-1450).

**APPENDIX A
DETENTION CARE COST SHARING RECONCILIATION**

	Initial Calculations (July 2005) (1)		Interim Calculations (November 2005)		Final Calculations (March 2007) (2) (5)		Amounts Received	Amounts Due from Counties/ (Overpaid) by Counties
	Pre-Dispositional Days (3)	Department Assigned Pre-Dispositional Costs	Pre-Dispositional Days (3)	Department Assigned Pre-Dispositional Costs	Actual 2005-06 Pre-Dispositional Days (3)	Actual Pre-Dispositional Costs		
Alachua	8,671	\$ 1,377,817	10,203	\$ 1,651,481	11,763	\$ 1,875,622	\$ 1,651,481	\$ 224,141
Bay	8,832	1,403,400	9,015	1,459,188	6,683	1,065,610	1,459,188	(393,578)
Brevard	17,587	2,794,565	16,351	2,646,610	14,957	2,384,908	2,646,610	(261,702)
Broward	34,568	5,492,837	36,782	5,953,618	39,248	6,258,131	5,953,618	304,513
Charlotte	2,296	364,833	2,245	363,381	2,315	369,129	363,381	5,748
Citrus	3,169	503,552	2,374	384,261	2,876	458,581	384,261	74,320
Clay	3,452	548,521	2,759	446,578	3,114	496,530	446,578	49,952
Collier	7,870	1,250,539	8,023	1,298,621	8,157	1,300,642	1,298,621	2,021
Dade	61,161	9,718,450	60,843	9,848,186	56,867	9,067,498	9,848,186	(780,688)
Duval	22,842	3,629,581	23,502	3,804,087	28,417	4,531,118	3,804,087	727,031
Escambia	15,850	2,518,556	17,019	2,754,734	17,328	2,762,966	2,754,734	8,232
Flagler	1,666	264,726	1,874	303,330	2,584	412,021	303,330	108,691
Hernando	3,327	528,659	3,139	508,086	1,583	252,411	508,086	(255,675)
Hillsborough	52,786	8,387,667	51,897	8,400,166	47,714	7,608,043	8,400,166	(792,123)
Indian River	2,302	365,787	2,497	404,170	2,731	435,460	404,170	31,290
Lake	5,356	851,066	6,382	1,033,005	6,623	1,056,044	1,033,005	23,039
Lee	14,717	2,338,523	16,688	2,701,157	19,644	3,132,254	2,701,157	431,097
Leon	8,767	1,393,072	8,723	1,411,925	9,704	1,547,313	1,411,925	135,388
Manatee	10,373	1,648,264	11,969	1,937,329	14,373	2,291,789	1,937,329	354,460
Marion	12,061	1,916,486	12,044	1,949,469	10,956	1,746,945	1,949,469	(202,524)
Martin	3,968	630,513	3,933	636,604	4,586	731,242	636,604	94,638
Monroe	1,526	242,481	2,117	342,662	2,083	332,136	342,662	(10,526)
Nassau	1,320	209,747	1,413	228,711	1,696	270,428	228,711	41,717
Okaloosa	6,525	1,036,819	5,211	843,464	4,496	716,891	843,464	(126,573)
Orange	47,864	7,605,564	50,696	8,205,769	45,896	7,318,161	8,205,769	(887,608)
Osceola	7,586	1,205,411	8,899	1,440,412	10,245	1,633,575	1,440,412	193,163
Palm Beach	27,776	4,413,591	29,492	4,773,642	28,137	4,486,472	4,773,642	(287,170)
Pasco	13,906	2,209,656	15,972	2,585,264	14,992	2,390,489	2,585,264	(194,775)
Pinellas	37,901	6,022,448	40,471	6,550,728	32,260	5,143,888	6,550,728	(1,406,840)
Polk	19,592	3,113,158	18,749	3,034,756	17,853	2,846,678	3,034,756	(188,078)
St. Johns	4,335	688,829	5,211	843,464	5,943	947,617	843,464	104,153
St. Lucie	11,852	1,883,276	11,480	1,858,179	13,362	2,130,584	1,858,179	272,405
Santa Rosa	4,286	681,043	4,723	764,475	4,087	651,676	764,475	(112,799)
Sarasota	5,982	950,537	5,321	861,269	7,175	1,144,061	861,269	282,792
Seminole	13,282	2,110,503	14,348	2,322,400	15,879	2,531,922	2,322,400	209,522
Volusia	17,394	2,763,897	20,269	3,280,786	20,441	3,259,337	3,280,786	(21,449)
Walton	2,086	331,464	1,502	243,117	1,235	196,922	243,117	(46,195)
Sub-Totals	524,834	\$ 83,395,839	544,136	\$ 88,075,084	538,003	\$ 85,785,094	\$ 88,075,084	\$ (2,289,990)
Fiscally Constrained (4)	34,709	\$ 5,515,241	32,506	\$ 5,261,495	34,152	\$ 5,445,569		
Out-of-State	-	-	5,803	939,287	7,254	1,156,657		
Totals	559,543	\$ 88,911,080	582,445	\$ 94,275,866	579,409	\$ 92,387,320		

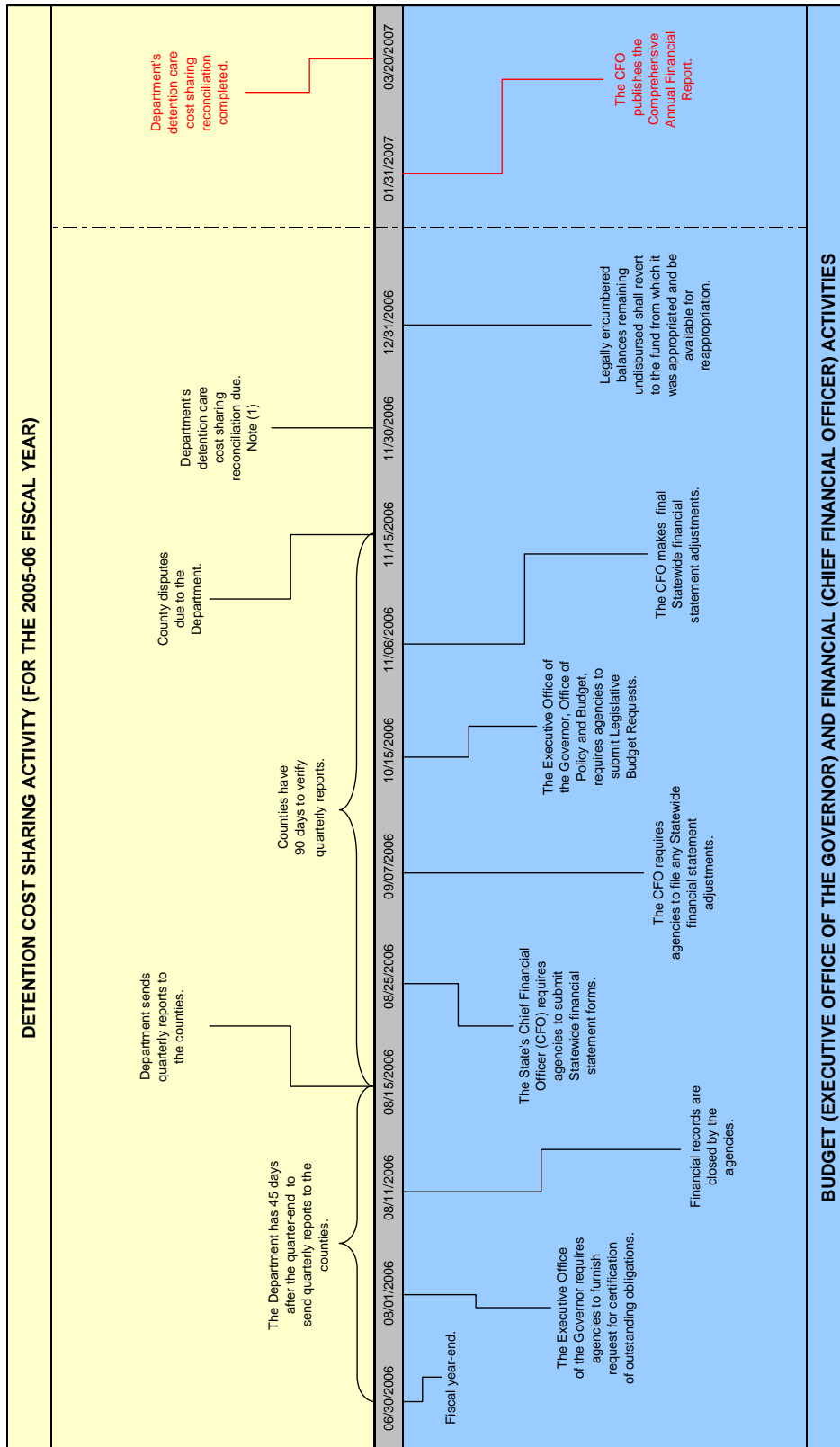
Notes:

- (1) See report Finding No. 1 (Shared Cost Estimates).
- (2) See report Finding No. 3 (Reconciliation).
- (3) Represents the number of days youth served in secure detention facilities as determined by the Department.
- (4) Fiscally constrained counties include the following 30 counties: Baker, Bradford, Calhoun, Columbia, DeSoto, Dixie, Franklin, Gadsden, Gilchrist, Glades, Gulf, Hamilton, Hardee, Hendry, Highlands, Holmes, Jackson, Jefferson, Lafayette, Levy, Liberty, Madison, Okeechobee, Putnam, Sumter, Suwannee, Taylor, Union, Wakulla, and Washington.
- (5) The Department's final calculations were based on the following cost per service day amount:

COST PER SERVICE DAY	
Total Cost (\$113,090,751) Identified by the Department	=
Total Pre-Dispositional Days (579,409) + Total Post-Dispositional Days (129,842), As Recorded in JJIS	=
	Cost Per Service Day (\$159.4509574)

Source: Department worksheets and 2005-06 fiscal year-end reconciliation.

**APPENDIX B
DETENTION CARE COST SHARING TIMELINE AS COMPARED TO
BUDGET AND FINANCIAL ACTIVITIES**



Note (1): Effective March 19, 2007, DJJ Rule 63G-1.008, Florida Administrative Code, was revised. The detention cost sharing reconciliation is now due January 31st of each year.

APPENDIX C
MANAGEMENT RESPONSE



FLORIDA DEPARTMENT OF JUVENILE JUSTICE

Charlie Crist, Governor

Walter A. McNeil, Secretary

October 29, 2007

Mr. David W. Martin, Auditor General
State of Florida
G74 Claude Pepper Building
111 West Madison Street
Tallahassee, Florida 32399-1450

Dear Mr. Martin:

Enclosed is our response to your list of preliminary and tentative audit findings and recommendations which may be included in a report to be prepared on your Operational Audit of the Department of Juvenile Justice, Detention Care Cost Sharing and Cost-of-Care Fees Including Follow-up on Prior Audit Finding, for the period July 2005 through February 2007, and selected Department actions taken through August 31, 2007.

Pursuant to Section 11.45(4)(d), Florida Statutes, submitted here is a written statement of explanation concerning all of the findings, including our actual or proposed corrective actions.

This response is being electronically submitted to flaudgen_audrpt@aud.state.fl.us per your instructions. If you have questions regarding this submission or need additional information, please contact Beth Davis, Director of Administration, at 921-0803.

Sincerely,

A handwritten signature in black ink, appearing to read "Walter A. McNeil" with a stylized flourish at the end.

Walter A. McNeil
Secretary

Enclosures

2737 Centerview Drive • Tallahassee, Florida 32399-3100 • (850) 488-1850
<http://www.djj.state.fl.us>

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.

**APPENDIX C
MANAGEMENT RESPONSE (CONTINUED)**

Listed below are the seven findings reported in the Auditor General (AG) letter dated September 27, 2007, as a result of their audit of the Department of Juvenile Justice (Department) for the period July 2005 through February 2007, and selected Department actions taken through August 31, 2007, focused on detention care cost sharing and cost-of-care fees. The audit also included a follow-up on the Department's actions to correct deficiencies related to cost-of-care fees disclosed in the prior audit (report No. 2006-030, dated September 2005). Below each finding are the recommendations suggested by the AG in the same report. The Department provides here a written statement of explanation concerning all of the findings, including our actual or proposed corrective actions.

Detention Care Cost Sharing

Finding No. 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.

Recommendation:

- We recommend that the Department retain 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.

Statement of Explanation/Corrective Action Plan

The Department concurs with this recommendation. 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 <http://www.djj.state.fl.us/costsharing/index.html>.

Finding No. 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. Department correspondence also did not provide detailed responses for each disputed case and involved issues that were in progress and 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 costs and actual detention care costs is dependent on the Department's timely response to, and resolution of, county dispute issues and affects the Department's final county invoices for detention usage.

Recommendations:

- To ensure effective monitoring of county disputes, we recommend that the Department:
 - Implement a mechanism to track county disputes received, reviewed, actions taken, and final resolution.

APPENDIX C
MANAGEMENT RESPONSE (CONTINUED)

- Work diligently within established benchmarks to resolve all discrepancies disclosed by county disputes and provide detailed responses for each disputed case to the county to ensure that the annual reconciliation is accurate and timely.

Statement of Explanation/Corrective Action Plan

The Department concurs with these recommendations. Beginning at the end of fiscal year 2006-07, all dispute correspondence is directed to the Director of Administration. All disputes received are logged into a tracking system and referred to the correct Department employee for handling. Tasks are monitored by the Office of Administration staff to ensure responses are sent to the counties. All 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. The planned benchmark for Department response time is 10 calendar days and it is anticipated that all disputes should be resolved within that timeframe. Three positions appropriated by the Legislature to begin in April 2008 will be designated to work on the dispute process. If a dispute cannot be resolved in the 10 day response time due to extensive research required, those will be monitored and should be completed no later than a total of 30 days after filing by the county. It is anticipated that the new billing system will be finalized and tested by the end of December, 2007. At that time the exact benchmarks will be known. Reports will be put in place to allow for monitoring and compliance reporting on the benchmark timeframes.

Until the automated process is in place in July, the Department will establish a new dispute monitoring process to incorporate date information necessary to measure dispute resolution timeframes and monitor our response time. The new monitoring process will be implemented by December 1, 2007. Under this process, the agency will make every effort to respond back to counties' disputes within 45 days of receipt. The Department also plans to bring in additional workforce in an effort to minimize response time to county disputes until the new system can be implemented. The Department hopes to achieve this by filling one of the three legislatively appropriated positions in December or January instead of waiting until April. Assuming the proposed legislation passes in the July 2008 legislative session, it is the intent of Department to initiate modification of the detention cost sharing rule to accommodate for the monthly billing process. In that rule revision, the new benchmarks will be outlined.

Finding No. 3:

Actual detention care costs used in the Department's 2005-06 fiscal year-end reconciliation did not agree (unexplained difference of \$132,273) with the expenditures for detention care shown by the Florida Accounting Information Resource Subsystem (FLAIR). In addition, the Department failed to timely reconcile differences between estimated and actual detention costs, contrary to Section 985.686(5), Florida Statutes, and, consequently, the counties were not timely invoiced or credited for detention usage. The untimely reconciliation also precluded the Department's timely adjustment of the General Revenue Fund special category established for fiscally constrained counties. Further, the Department did not ensure that financial records at June 30, 2006, accurately reported Shared County/State Juvenile Detention Trust Fund operations. Specifically, accounts payable totaling \$5,968,303, accounts receivable totaling \$3,678,313, and advances received totaling \$3,879,079 were not recorded. An estimated \$11 million deficit fund balance existed as of the end of the 2005-06 fiscal year for the Shared County/State Juvenile Detention Trust Fund.

APPENDIX C
MANAGEMENT RESPONSE (CONTINUED)

Recommendations:

- We recommend that the Department:
 - Adjust the county accounts, as appropriate, for the \$132,273 discrepancy noted above.
 - As timely as possible perform the required reconciliation.
 - Reconsider the reconciliation completion dates incorporated in the Department rule, as revised.
 - Appropriately record in FLAIR all Fund activity and transactions.
 - Review the Fund's 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.

Statement of Explanation/Corrective Action Plan

The Department partially concurs with these recommendations. The Department has identified \$13,363 of the \$132,273 discrepancy as incomplete adjusting entries and will have those entries corrected by November 30, 2007. We are working diligently to identify the remaining \$118,910. The amount of overpayment from the counties was determined by FLAIR Revenue and Expenditure reports provided by the Office of Budget. When the research is completed on the remaining amount in question, the Department will address if there even is a need to refund the counties.

Fourth quarter utilization data is not sent to the counties until 45 days after the end of quarter (August 15). According to Rule 63G-1, a county has 90 days to file a dispute on that quarter's report which means, at a minimum, the county disputes could be received up until November 15. Although a timeline is not currently outlined in rule, the Department must have time to review those disputes and determine if they are valid and adjust the utilization data if applicable. Prior to the March 19, 2007, revision to the rule, an annual reconciliation was due to the counties by November 30. The Department realized it could not realistically meet that deadline. As a result, the 63G-1 was modified to extend the due date for the reconciliation statement to on or before January 31. This allows the agency time to review the final quarter's disputes and then generate a final reconciled report. To complicate the matter even more, final detention expenditures are not available until after the close of the certification process which is currently September 30. Without knowing what was actually spent to operate the detention program it is not possible to calculate the final costs per county. As a result of both these factors, the amount due to or from the counties resulting from reconciliation can in no way be known in time to book a financial statement transaction. The deadline for financial statement adjustments by an agency is August each year.

Based on the factors listed above, the Department does not currently plan to reconsider the reconciliation completion dates incorporated in the Department rule, as revised, because the added timeframe is necessary to adequately allow for the Department's review of disputes. Also, because final expenditure information is not available until after September 30 (the last day of the certified forward process), it is impossible under the current billing/reporting structure, to record appropriate transactions in the financial statement records. When the Department transitions to monthly reporting/billing process as is proposed for fiscal year 2008-09, and reconciliation is done monthly along with billing, it may be possible for the Department to record at least an estimated amount of applicable payables/receivables.

The Department will conduct a quarterly review of the Detention Cost Share funds financial data in an attempt to identify and correct any inaccuracies in the reporting of the fund's financial status prior to the close of the each fiscal year. The Bureau of Finance and Accounting has developed a Financial Statement Manual patterned after the Department of Financial Services' Statewide Financial Statement Unit CAFR Training Manual that will help preclude further incidents of this nature. Further, financial records for the 2006-07 fiscal year correctly reflected the Department's accounts payable, receivable, and advance payments to and from the counties.

APPENDIX C
MANAGEMENT RESPONSE (CONTINUED)

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. Budget Office staff have analyzed fund needs to ensure sufficient appropriation for fiscally constrained counties, the state's share of detention costs, and the county share appropriated in the Shared County/State Juvenile Detention Trust Fund (Fund). Financial statement procedures have been updated to provide proper instruction on the recording of all payables, receivables and advances for the Fund. In addition, beginning in fiscal year 2007-08, all General Revenue funds appropriated for the detention costs of fiscally constrained counties will be journal transferred to the Fund on a quarterly basis so that all the counties' share of expenditures are captured in the one Fund.

Finding No. 4:

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.

Recommendation:

- We recommend that the Legislature 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.

Statement of Explanation/Corrective Action Plan

The Department concurs with this recommendation. The Department is currently seeking a sponsor for a bill relating to detention cost sharing. This proposal will amend s. 985.686, F.S., to reference the Shared County / State Juvenile Detention Trust Fund. If the proposal successfully passes during the 2008 Legislative Session and the Governor signs the bill, it should take effect July 1, 2008.

Cost-Of-Care Fees

Finding No. 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.

Recommendation:

- We recommend that the Department ensure that year-end accounts receivable balances are timely and accurately updated in FLAIR and that procedures be established to ensure that 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.

APPENDIX C
MANAGEMENT RESPONSE (CONTINUED)

Statement of Explanation/Corrective Action Plan

The Department concurs with this recommendation. 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. In addition, beginning with fiscal year 2006-07, the Department is retaining ARMS data to support the recorded balances and back up the data in two different electronic formats, in two different locations.

In October 2006, the Department hired and assigned two part time Other Personal Services (OPS) employees to work the list of 13,257 duplicate accounts. While the error in the billing system that allowed for duplicate accounts to occur has been corrected, these existing duplicates need to be addressed. In order to eliminate the issues arising from billing parents incorrectly, the duplicate accounts are not currently being billed. The potential impact resulting from not billing the parents is estimated to be around \$1.5 million dollars. The duplicate accounts must be audited to determine the appropriate amounts and individuals to invoice. Once audited and adjusted, the valid account is "turned on" to resume billing and collection activities. On June 30, 2007, Finance and Accounting ran out of funding for the OPS employees performing the reconciliation. At that time 2,262 accounts had been completed. As of October 1, 2007, one full time career service employee from another section within Finance and Accounting has been relocated to the Cost of Care Unit to begin auditing the remaining 10,995 accounts. Additional funding is also being allocated to fund 2 full time OPS positions beginning December 1, 2007, to work on the task of cleaning up the duplicate accounts. Based on the average worked by the OPS staff of 250 accounts per month/per person, the process is estimated to be complete by February 2009.

Finding No. 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.

Recommendation:

- We again recommend that the Department ensure the accuracy of Department records and take action to improve the billing, collecting, and reporting of cost-of-care fees.

Statement of Explanation/Corrective Action Plan

The Department concurs with this recommendation. 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. As a result, modifications have had to take a back seat due to the lack of technical staffing available to dedicate to this project. MIS currently dedicates one staff member to the maintenance of three different Finance and Accounting business systems, Cost of Care being one of them. Between juggling those three and the many other day-to-day activities and emergencies that arise in the technical arena of DJJ, this one employee can rarely find time needed for programming and development. Additional contracted services funding will be allocated beginning in November 2007 to hire technical consultants needed to improve ARMS and the overall billing, collection and reporting of cost-of-care fees. There is a current listing of approximately 100 items that describe updates and enhancements needed to the ARMS system. While several of those items have been completed, a majority of them are still in the development stage. It is hoped that with the additional resources dedicated to this project that all pending upgrades and modifications to the ARMS system will be completely by June 2008. The Cost of Care Workgroup, in existence for almost 10 years, meets the last Wednesday of every month to discuss outstanding issues with the Cost of Care billing and other aspects of the program.

APPENDIX C
MANAGEMENT RESPONSE (CONTINUED)

For the 2006-07 fiscal year, Finance and Accounting billed an average of \$1,483,971 per month and received an average of \$211,765.

Finding No. 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.

Recommendation:

- We again recommend that 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.

Statement of Explanation/Corrective Action Plan

The Department partially concurs with this recommendation. The Department manually submitted a total of 493 accounts to the state contractor (OSI) during the period of April 1, 2005 to October 3, 2005. Beginning in November 2005 Finance and Accounting worked with the Management Information Systems (MIS) section to create an electronic transfer method. There was a delay in submittals during the design period, but after completion Finance and Accounting electronically submitted 54,513 accounts to OSI during the period of July 2006 to September 2006. The total dollar amount of all accounts submitted to OSI was \$40,494,309.29. During their contracted period, the Department received a total of \$279,738.89 in payments from OSI on accounts that were transferred.

In December 2006, the Department received notification from DFS that the contract with OSI had expired and General Revenue Corporation (GRC) was selected as the new state vendor. All of the accounts previously sent to OSI were returned and had to be verified to ensure all accounts were returned and balances reported as outstanding were accurate. This verification took time and prevented any action on those or any other delinquent accounts. At the same time Department staff started the process of re-designing ARMS to meet the needs of GRC. There was again a delay in submittals during the design period, but on June 14, 2007, Finance and Accounting electronically submitted 54,363 accounts to GRC. Work continues to design processes to handle electronic transfers both to and from GRC and the Department continues to communicate daily with them.

During July 2005 and February 2007 the Department submitted requests for write-offs totaling \$195,429.50, all of which were approved by DFS. We have not submitted any other accounts for write-off approval from DFS since all of the accounts were either at OSI or GRC for collection attempts. 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.