

Duval County Teen Court, Inc.

June 19, 2007

Special Report #639

Released on : December 7, 2007

OFFICE OF THE COUNCIL AUDITOR
Suite 200, St. James Building



June 19, 2007

Special Report # 639

Honorable Members of the City Council
City of Jacksonville

Re: Duval County Teen Court, Inc.

INTRODUCTION

Our review was initiated in December 2005 after questions were raised by a former Duval County Teen Court, Inc. (DCTC) Board Member concerning monies allegedly owed to the Police Athletic League (PAL) for services performed by PAL on behalf of DCTC. The initial goal of our review was to determine the amount of available cash balances within DCTC's bank accounts and to ascertain whether PAL had been paid for services they claimed were rendered.

Verbatim responses from the Duval County Teen Court have been inserted and *italicized* after the respective finding and/or recommendation. We received these responses from Duval County Teen Court, via the Former Teen Court Executive Director, in a facsimile dated September 25, 2007. In addition to inserting their responses in the appropriate sections of our report, a copy of their entire response, along with a response from the former Director of the Community Services Department, has been attached (See Attachment C).

DCTC Response to the Introduction Section

The introduction claims the review was initiated by a claim for money owed to the Police Athletic League for services performed by it on behalf of DCTC. The review was to determine the amount of cash balances within DCTC accounts and why PAL had not been paid for services they claimed were rendered. The report does not say one word about DCTC owing PAL money because it did not. DCTC and PAL voluntarily worked together on programs intended to assist troubled teens. Both DCTC and PAL felt the programs were successful and should be continued after the SAO took over the operation of the Teen Court. Some of the brochures and drug test kits Teen Court had paid for were turned over to PAL for this reason. It was in this context that Teen Court offered to turn over the ending account balance to PAL so these programs could be continued, if it was appropriate. This is what the PAL Teen Court Board member called the City to inquire about.

Inasmuch as Teen Court learned that such a contribution would be improper, no charitable contribution was or could be made. Therefore no debt was incurred.

CAO Rebuttal To DCTC Response

The DCTC's independent auditors confirmed via email in January 2006 that the Accrued Expense Liability on the audited financial statements totaling \$21,374 includes a \$10,000 liability owed to PAL. Therefore, while the DCTC Board minutes do indicate that they also considered donating any excess funds to PAL, this is a separate issue from the liability. In addition, the Former Executive Director indicates in her response that DCTC donated brochures and drug test kits to PAL. Given that the State Attorney was approved by the City Council to take over the Teen Court program pursuant to Ordinance 2005-683-E, these items should have been donated to the State Attorney. The City does not have a contract with PAL for the Teen Court Program.

BACKGROUND

DCTC, a Florida non-profit corporation, was originally established pursuant to Ordinance 2001-425-E, which allowed for DCTC to be funded by a \$3 assessment added to any civil penalty paid under Chapter 316, Florida Statutes (State Uniform Traffic Control). During FY 2004/05, as a result of changes to Article V of the State's constitution, DCTC's funding source was switched from the \$3 assessment to a pro-rata share of a \$65 court fee established by Section 939.185 of the Florida Statutes. The mission of DCTC was to provide Duval County's youth with an alternative to a conviction record by diverting them into a system where they were sentenced by their peer group and to expose teen volunteers to community service work, positive role models, law students and the judicial system. The Executive Director of DCTC reported to a Board of Directors consisting of various professionals from the legal and law enforcement areas of the community. DCTC was provided funding totaling \$300,000 from the City during FY 2004/05, the source of which was their share of the \$65 court fee. Effective August 1, 2005, the operation of the DCTC Program was transferred to the State Attorney's Office pursuant to Ordinance 2005-683-E. DCTC was officially dissolved on April 3, 2006.

Through its contract with the City, DCTC was held to compliance standards for public service grants as detailed in Chapter 118 of the Jacksonville Municipal Code. Chapter 118 disallows various expenditures in order to ensure that public funding is spent appropriately. Additionally, through DCTC's contract with the City, the Community Services Department was given the role of providing contract monitoring and oversight.

DCTC Response to Background Section

In the second paragraph of the background section, the report states that Duval County Teen Court was held to compliance standards for public services grants as set forth in Chapter 118 of the City Code. This is inaccurate because while Teen Court was held to such standards, it also was directed by the City Council to conduct itself otherwise from time to time.

For example, regarding the two audits by Gunn & Company, each annual budget approved by the Public Service Grant Committee and by the entire City Council contained line items for audit expenses. The draft report states that these two expenses were disallowed per the contract, but clearly a vote of the City Council approving these expenses in our budget was the basis for the expenditures. Teen Court was not advised that payment of the audit expenses was not allowed by city ordinance.

It does not make sense that Teen Court would have been required to have audits, but was not allowed to use operating funds to obtain the audits.

In the background section, the report states that Duval County Teen Court was provided funding “totalling \$300,000 from the City during fiscal year 2004/05,…” This is an incorrect statement. The funding was not provided by the City but rather was provided by the Clerk of Court, an entirely different constitutional entity from the City. A portion of the \$65 Court fee, as noted in the report, was earmarked for Duval County Teen Court. The Court fee in its entirety was collected by the Clerk of Court. The Clerk of Court had no authority to disburse funds directly to Duval County Teen Court and therefore the mechanism of disbursing the funds through the City was used. This does not mean that the funds belonged to the City or that the City provided the funds. This was not a City program paid for with taxpayer money.

CAO Rebuttal to DCTC Response

The DCTC Board Chairman as well as the former Executive Director both signed a contract agreeing to comply with the provisions of Chapter 118 of the Municipal Code. Section XII (A) of this contract clearly states that audit fees must be paid for at their sole expense. DCTC received partial funding from parent fees and could have used these funds to cover the audit cost. In addition, the City Council did not receive an itemized breakout of expenses for DCTC’s budget that included a separate line for audit fees. Thus, they would not have been aware, and nor was our office, that this expenditure was included in their budget. The statement that the program was not funded by taxpayer money is inaccurate. This revenue source is generated from citizens as part of a court cost for certain types of violations. The Clerk of the Court is merely a facilitator of payments and is not the funding source. Also, this revenue stream from the \$65 Court fee did not materialize as anticipated. Despite these shortfalls, the City still adhered to its contract with DCTC totaling \$300,000.

STATEMENT OF STANDARDS

We are providing this special written report in accordance with Chapter 102 of the Jacksonville Municipal Code. This report does not represent an audit or attestation pursuant to Government Auditing Standards.

SCOPE AND OBJECTIVE

The scope of this report included the review of bank statements and supporting documentation from July 1, 2005 through June 30, 2006. The initial objective of our review was to determine the amount of remaining cash balances within each of the City's accounts, how funds were spent during and after the close of DCTC's fiscal year-end on September 30, 2005, and whether or not PAL was paid. Based on a review of bank statements, we also had to determine whether expenditures made by DCTC were in compliance with the provisions of its contract with the City and with Chapter 118 of the Jacksonville Municipal Code.

FINDINGS

A summary of our specific findings related to our review of the DCTC's bank statements and canceled check images, as well as supporting documentation provided to us at our request is detailed below. Overall, we found disallowed expenditures totaling \$19,490 and questionable expenditures totaling \$11,499. Please refer to *Attachment A* for a complete listing of these expenditures. In addition, we found that DCTC did not pay the Police Athletic League for the \$10,000 liability shown on DCTC's audited financial statements due to insufficient funding. It is important to note that our review was limited to bank statements from July 1, 2005 through June 30, 2006. Given the transition of the program to the State Attorney effective August 1, 2005, this represents only one full month of operation and the wrap-up of the program. Had we reviewed further information, additional problems might have come to our attention. In addition, please refer to *Attachment B* for a chronological summary highlighting our numerous attempts to obtain information from the DCTC.

DCTC Response to Findings Section

The findings section of the report states that "it is important to note that our review was limited to bank statements from July 1, 2005 to June 30, 2006. Given the transition of the program to the State Attorney was effective August 1, 2005, this represents only one full month of operation and the wrap up of the program. Had we reviewed further information, additional problems might have come to our attention."

While the City Council ordinance to transfer the Teen Court Program from a private non-profit corporation to the State Attorney's Office authorized that transfer as of August 1, 2005, because Teen Court, and indeed all City Government, runs on a fiscal year from October 1 through September 30, the actual transfer did not take place until September 30, 2005. The operation of Teen Court was always under the City's review by the Community Services Department.

CAO Rebuttal to DCTC Response

Ordinance 2005-683-E transferred the operation of the Teen Court Program from DCTC to the State Attorney effective August 1, 2005. Given that the City had a contract with DCTC, the City honored its contractual commitment of \$300,000. The intent in doing this was to allow DCTC to

wrap up its cases in progress so as to not terminate parents and children in the middle of the program. Thus, while funding was still provided through September 30, 2005, the DCTC clearly understood that pursuant to Ordinance 2005-683-E, the operation of the program was to transition to State Attorney on August 1, 2005.

Finding #1 *Commingling of Funds*

DCTC established four separate bank accounts for the Teen Court Program funded by the City. The accounts consisted of one money market account, two small business (operational) checking accounts, and one payroll checking account. We noted several instances of deposits from various sources other than City contributions being made to one of the operational checking accounts established solely for the City funding pursuant to their contract. Furthermore, during the period examined, we noted that multiple internal fund transfers were made on a routine basis among each of the four bank accounts.

Contract Section II.B.6.(a) reflects DCTC’s election “To maintain a separate bank demand account and/or time deposit account and deposit and keep all city funds received and no other funds in accounts and make all disbursements of city funds from said accounts...”

DCTC Response to Finding #1

No response provided.

Finding #2 *Food and Beverage Purchases*

We noted seven instances of food/beverage purchases at several different restaurants totaling \$598.79; one restaurant was located in Boca Raton. The former Executive Director has claimed that all of these purchases centered around staff meetings or functions for the Teen Court participants. Such expenditures are disallowed pursuant to Chapter 118 as noted below.

Municipal Code 118.301(a)(3) states “Miscellaneous appropriation moneys may not be expended for the following purposes: (iv) Costs of amusements, social activities and incidental costs relating thereto, such as meals, beverages, lodgings, rentals, transportation and gratuities, except for such activities and expenditures relating to the Sister Cities Association Program or the Bob Hayes Invitation Track Meet, Inc.”

We noted four instances of ice and drink purchases totaling \$48.85. Such expenses purport to be related to program activities, but are disallowed under Municipal Code 118.310 (a)(3) and the contract between the City and DCTC, Section II(4). Also included in these purchases was one sixteen ounce hot drink, icy hot and wipes, all of which are disallowed for the same reasons listed above.

We noted one expense at the Hyatt hotel totaling \$125. We were unable to locate any supporting documentation to legitimize such an expense. According to a Board member of the DCTC, such an expense was related to a staff luncheon and was not indicative of a hotel visit. However, the Municipal Code and contract between the City and DCTC prohibit such an expense.

DCTC Response to Finding #2

Duval County Teen Court had direct authority from the City to make such expenditures. Food expenditures were needed on the evenings when Teen Court was in session for the staff and volunteers and teens who were referred to Teen Court. A line item for food expenditures was contained in the 2005 budget, which was approved by the Public Service Grant Committee and the City Council. Therefore disallowed expenses pertaining to the purchase of food or beverages should be deleted from the report.

CAO Rebuttal to DCTC Response

Neither the City Council nor our office was provided details on DCTC's budget indicating that a portion of their expenditures would be spent on food. The City's FY 2004/05 budget reflects a lump sum appropriation to DCTC for \$300,000. In addition, as detailed on *Attachment A*, most of the food purchases we listed as disallowed were for staff lunches and not for evening sessions when Teen Court was held, with one lunch even occurring out of town in Boca Raton. Furthermore, DCTC signed a contract that clearly prohibits the purchase of food and beverages.

Finding #3 *Fines and Penalties*

We noted several insufficient funds and overdraft charges totaling \$214.

Contract Section XI.B. states "The Recipient shall maintain financial and accounting records and conduct transactions in accordance with generally accepted accounting principles and Florida Statutes. These financial records shall be maintained in such a manner so as to permit positive and ready identification at all times of any funds received by recipient from the City..."

With regard to penalties, in April of 2006, the Internal Revenue Service froze DCTC bank accounts and automatically levied a \$3,914.78 penalty associated with payroll taxes and DCTC's corporate income tax filing. Such penalties are expressly prohibited pursuant to their contract with the City as cited in the contract reference below.

The DCTC was billed three times the prior annual insurance premium plus a five-hundred dollar (\$500) penalty pursuant to Sections 440.381(5) and 440.381(8) of the Florida Statutes for non-compliance with audit requests in accordance with the Florida State Special Audit rules. This \$1,731 expense could have potentially been partially or totally avoided.

Contract Section II(B)(4)(e) and Municipal Code Section 118.301(a)(3)(v) state that, “Miscellaneous appropriation moneys may not be expended for costs resulting from violations of or failure to comply with federal, state, and local laws and regulations.”

DCTC Response to Finding #3

With regard to the IRS charges, we believe firmly that those charges are incorrect and could be reversed with the proper legal challenge. However, since Duval County Teen Court has dissolved, there are no further funds to spend on such a challenge.

Finding Number 3 disallows an expense of \$1,731 to Duval County Teen Court’s workers compensation insurance carrier. This was a fee for an audit that could not be performed because the request for audit was mailed to Duval County Teen Court, Inc. after it had ceased to operate and operations were transferred to the State Attorney. In addition, there is no support for finding that a \$500 penalty was paid.

CAO Rebuttal to DCTC Response

Regarding the Workers Compensation audit, the former Executive Director indicates that the audit could not be performed because the request was mailed to DCTC after they ceased operations. However, the assessment that was paid by DCTC was also received after operations had ceased. On the invoice, a footnote states their policy was charged three times the recent estimated annual premium in accordance with Section 440.381(8) Florida Statutes.

Finding #4 *Lobbying/Legislative *

We noted an expense totaling \$50 promoting the passage of State legislation. The legislation centered around lobbying efforts of the Florida Association of Teen Courts to have the \$3 fee reinstated for state-wide teen court programs since this fee generated more revenue than their share in the \$65 court cost fee. The \$50 expenditure by DCTC represented their prorata share in the total cost of these lobbying efforts.

Municipal Code Chapter 118(a)(3)(vii) disallows “...other expenses...whether incurred for purposes of legislation or executive direction.”

We also noted an inappropriate mileage reimbursement incurred September 27, 2005 totaling \$133.25 for a Florida Association of Teen Courts session in Orlando. This expense occurred nearly two months after DCTC’s functions had been relinquished to the State Attorney’s office and was also in violation of Municipal Code Section 118(a)(3)(vii) given its legislative intent.

DCTC Response to Finding #4

No response provided.

Finding #5 *Excessive Telephone Charges*

We noted the former Executive Director placed several calls to her future employer as well as the American Justice School of Law in Kentucky; such calls contributed to overage charges and high telephone bills. During a three month period from July to September 2005, telephone charges exceeded \$4,700. These fees included land-line phones and five cell phones for the DCTC staff.

DCTC Response to Finding #5

No response provided.

Finding #6 *Audit Expenditures*

DCTC incurred \$12,600 of audit and other related expenditures and utilized City funding to cover these charges.

Contract section XII(A) states: “In accordance with Section II.B.7 of this agreement, Recipient at its sole cost and expense, shall arrange for an audit of its financial accounts...”

DCTC Response to Finding #6

As stated, each annual budget approved by the Public Service Grant Committee and by the entire City Council contained line items for audit expenses. The report states that these two expenses were disallowed per the contract, but clearly a vote of the City Council approving the contract overrides whatever contract language applies. Therefore, these expenses should not be disallowed and should be removed from the schedule of disallowed expenses.

CAO Rebuttal to DCTC Response

Again, as indicated on page 3 of this report, the DCTC Board Chairman as well as the former Executive Director both signed a contract agreeing to comply with the provisions of Chapter 118 of the Municipal Code. Section XII (A) of this contract clearly states that audit fees must be paid for at their sole expense. City Council is not provided such details during the budget review as they approve the lump sum appropriation to DCTC.

Finding #7 *Missing Documentation*

Numerous documents could not be located when questioned. Please refer to *Attachment A* detailing expenditures we found to be questionable in nature due to the timing of the expenditure or the nature of the expenditure. We were unable to resolve these issues given the lack of supporting documentation available.

Contract section XI(D) states: “The Recipient shall retain for such inspection all of its records and supporting documentation applicable to this Agreement for five (5) years after receipt of final payment from the city.”

DCTC Response to Finding #7

No response provided.

Finding #8 *Other Expenses*

We experienced delays in recovering a laptop computer owned by the City from the former Executive Director of the DCTC, who took the asset with her when she relocated to Paducah, Kentucky. Several emails were sent either by our office or the State Attorney’s office to determine the status of the return of the laptop to the City. Also, we noted an expense to a Computer Source store in Paducah, Kentucky totaling \$187.95 made in February of 2006, more than four months after the close-out of DCTC and more than six months after the program was transferred to the State Attorney’s Office. The description on this receipt details erasure of the hard drive to NSA standards. This expense was entirely avoidable as this function could have been accomplished by city personnel located with the Information Technology Department.

Section XV(A) of the City’s contract with DCTC states that, “upon the expiration of the aforementioned program or activity ... such equipment shall be transferred free and clear of all liens and encumbrances to the City or disposed of as authorized in writing by the City.”

DCTC Response to Finding #8

No response provided.

Finding #9 *Lack of Oversight/Control*

The focus of this review was limited to past expenditures made according to the bank statements; therefore, we did not review formal minutes from meetings (except September 2005) held by the DCTC board members. Thus, we are unable to confirm whether any financial information was provided to the Board at each meeting. However, prudent financial practices require that Board members are more cognizant of the type of financial transactions entered into by staff, including the usage of a debit card for the City’s accounts. Additional oversight could have prevented some of the disallowed transactions or at least minimized their occurrence. For the period July 1, 2005 through June 30, 2006 our office noted \$2,291.09 in debit card transactions.

Additionally, per the Board Treasurer, all check disbursements were required to be signed by two parties: either the Executive Director and a Board member or two Board members. However, all checks we reviewed were signed by only one party.

Finally, it was noted in the September 2005 Board minutes, that the DCTC Board recommended that any excess funds remaining after all debts were satisfied be donated to PAL.

Section 118.301(a)(3)(iii) of the Municipal Code and Section II(B)(4)(c) of the DCTC contract with the City state that “contributions to other groups or organizations are not allowable.”

DCTC Response to Finding #9

In finding Number 9, the report acknowledges the auditors did not review the formal minutes. Then the report concludes that board should somehow be more aware of transactions. The board met regularly and attempted to review operational and financial aspects of the program in a thorough manner.

In addition, finding Number 9 states that the board treasurer stated that all check disbursements were required to be signed by two parties. First, the treasurer denies making that statement. Second, it is not true. Teen Court’s bank required only one signature and would have charged additional account fees if two signatures had been required. Moreover there was never any requirement by the Board of Directors, by the City Council, or by any legislation or regulation requiring two signatures per check.

CAO Rebuttal to DCTC Response

Based on our discussions with three of the Board members, they were not aware that the former Executive Director had obtained a debit card. In addition, although not a requirement of Chapter 118, having two signatures for checks is always a good business practice and provides for better internal controls over the spending of funds. Two Board members and the former Executive Director were listed as signatories on the account with no additional fees being charged. Thus, implementing the internal control practice of requiring two or more signatures on each check would not have resulted in additional costs.

Finding #10 *Lack of Sufficient Contract Monitoring*

The Office of Juvenile Justice, a Division within the City’s Community Services Department, was responsible for performing the contract monitoring for the DCTC program.

Section V(B) of the DCTC contract with the City states: “After the initial quarterly payment, subsequent quarterly requests shall provide accounting backup (invoices, and/or receipts along with copies of promotional materials, (as appropriate) for the previous quarter along with the outline detailing the projected quarterly expense for the requested quarterly advance payment ... Additionally, all invoices must be accompanied with the required quarterly financial and reports.”

Section VII(B) also states that, “Recipient agrees to provide the City’s Contract Administrator ... with a quarterly narrative progress report on the program or activity ... Such reports shall include basic statistical information relevant to the program or activity, and a statement of expenditures made in each budget category and line item identified in the budget.”

Based on a review of documents maintained by the Community Services Department, we noted a lack of sufficient involvement and a lack of documentation concerning the program’s accomplishments and expenditures. Specifically, the Community Services Department was unable to locate any monitoring reports from the two formal site visits required to be conducted by their staff. Financial reports were located for three quarters, January through September 2005, but could not be located for October through December 2004. The Community Services Department acknowledged a lack of involvement due in large part to the apathy of the contract administrator tasked with monitoring this grant. This contract administrator is no longer employed by the City.

Community Services’ Response to Finding #10

The Community Services Department leadership at the time of this audit acknowledged that pre-existing challenges were inherited from the past contract administrators lack of sufficient contract monitoring, auditing and documenting of program events. This contract manager is no longer employed by the City.

With the onset of the departments new grant administration practices, these challenges were improved. However, interference by representatives from other offices complicated the department’s ability to effectively provide oversight as outlined in Chapter 118.

The Community Services Department enhancements to the management and overall Public Service Grant Program (PSG) resulted in improvements regarding efficiencies in all other grants, with this grant being the one exception.

Finding #11*Lack of Review of Audit Report*

The Community Services Department is responsible for closing out all programs that it monitors to ensure that an audit has been submitted in accordance with Chapter 118.

Section 118.205(e) of the Jacksonville Municipal Code requires that “the independent auditor’s report include separate statements of source and status of funds received from the City, and program costs showing the expenditure of City funds as compared to the authorized budget for those funds from the City.”

In December 2005, we found the audit report to be deficient in that it did not include a breakout of expenditures for the Teen Court Program and the Camp X-Rayd program. We requested that the outside audit firm resubmit their audit report on DCTC’s financial statements with a revised

schedule showing the breakout of costs for these two programs. In their role as contract monitor, Community Services should have noted that the audit report for DCTC did not meet the requirements specified by Section 118.205(e) and should have requested a revised audit report.

Community Services' Response to Finding #11

The Community Service Department accepts and recognizes its responsibility for closing out programs that it monitors in accordance with Chapter 118.

All program close outs were in keeping with established guidelines and procedures, and were submitted to the auditor, in the Council Auditors Office for review and comment. The departments grant administrator adhered to the directions and recommendations provided by the Council Auditors Office. With the Council Auditor appointment of a new auditor to assist the department with PSG's the monitoring/reporting expectations were enhanced. Immediately, the departments grant administrator implemented the new guidelines and training for grant monitors was conducted.

The Community Service Department Director, and grant administrator were not aware nor did they receive a copy of the outside audit firm's report. Hence, the department could not respond to the findings detailed in that document.

CONCLUSION

During the course of this review, we faced several unique challenges as detailed below.

- The operation of the DCTC Program was transferred to the State Attorney effective August 1, 2005. Therefore, DCTC does not currently have a contract with the City which could be reduced accordingly by the total amount of disallowed expenditures.
- DCTC was officially dissolved in April 2006.
- The former Executive Director of DCTC relocated to another state with the DCTC records. At our request, records were shipped back to our office in order for us to complete our review of certain expenditures.
- The current combined cash balance from all of the City bank accounts is estimated at only \$1,200.
- The contract monitor for DCTC is no longer employed by the City and evidence of documented monitoring cannot be located.
- The former Executive Director obtained a debit card for bank accounts funded by the city.
- Chapter 118 of the Municipal Code provides no legal guidance for this situation given that the organization is no longer funded through the City and is also officially dissolved.

RECOMMENDATION #1

Overall, based on our limited review, we found disallowed expenditures totaling \$19,490.37 and questionable expenditures totaling \$11,499.74. Pursuant to Section XX of the contract between the City and DCTC, as well as Section 118.301(5) of the Municipal Code, we recommend that any residual funds be returned immediately to the City.

DCTC Response to Recommendation #1

The total amounts for the “disallowed” and “questionable” expenditures are disputed.

“Disallowed”

As set forth previously, \$12,600 was expended for independent audits as required by law. There was no other source of funds for these audits other than program funds. There should be a change in law such that required audits can be paid for with program funds.

The \$3,914.78 in IRS charges and worker’s compensation audit fee should be excluded from the disallowed funds for the reasons stated above. The IRS charges were in error, but Teen Court had no funds to litigate the dispute. The charge for a worker’s compensation insurance audit was charged because the request for the insurance audit was made after Duval County Teen Court ceased operations.

Expenditures for food were approved by the City Council when it approved Teen Court’s contract. A total of \$821.49 for food expenditures is listed in the “disallowed” charges. This amount should be removed.

Therefore, the \$19,490.37 in “disallowed” charges should be reduced to \$2,158.10.

“Questionable”

In the “questionable” charges, a total of \$6,000 is questioned for payments to the Parent Project facilitators in July, August, and September 2005. These facilitators worked with parents of teens referred to Teen Court to help prevent them from repeating their mistakes. The report fails to note that these same facilitators had been retained as independent contractors by Teen Court for many months prior to the period which the report covers. IRS Form 1099s were issued to these facilitators. In addition, in response to the draft audit report, Teen Court provided an affidavit from one of the facilitators attesting to receipt of the payments for work performed.

Also in the “questionable” charges, there are two line items for drug screening kits totalling \$1,768.75. These were drug screen test strips that were necessary for screening teenage participants in Camp X-RAYD to ensure that no participant was under the influence of any drugs while participating in the physically rigorous Camp X-RAYD program. These strips were turned over to the Police Athletic League for use during the Camp X-RAYD program.

There are two line items totalling \$1,201.20 for printing of Camp X-RAYD brochures. These, similarly were turned over to PAL for the Camp X-RAYD program. Accordingly these items should be removed from the schedule of questionable expenses.

There is a line item for U-Haul in the amount of \$82.55. This was to purchase boxes to move Teen Court records to the State Attorney's office and to comply with storage requirements for various operational documents. The line item for Shred-It First Coast in the amount of \$97.50 was to destroy confidential teen-client information that was not necessary to the continuation of the program after it was transferred to the State Attorney. These two items total \$180.05.

Therefore, the \$11,499.74 in "questionable" expenditures should be reduced to \$2,349.74.

In all, the \$30,900.11 of "disallowed" and "questionable" expenses should be reduced to \$4,507.84.

CAO Rebuttal to DCTC Response

Again, as previously mentioned in two other findings, pursuant to a contract signed by the former Executive Director (a practicing attorney) and the Chairman of the Board, audit fees and food cannot be paid for with the \$300,000 of funding provided by the City. The intent of this requirement is to limit the amount of public dollars used to pay for administrative costs that could instead be spent directly on the program. In addition, public funds are intended to be provided as a supplement to non-profit organizations, rather than the sole contributor of funding.

Regarding the DCTC facilitators, these payments were listed as questionable mainly due to the timing of the expenditures, along with insufficient documentation concerning the relevance of the expenditures to the program. We have been requesting documentation to support these questionable expenditures since approximately October of 2006. We finally received an affidavit on the project facilitators in August 2007. However, IRS 1099 forms do not document the type of service performed, but only document that certain individuals were paid. We questioned the timing of several payments being made after the program was transitioned to the State Attorney given that DCTC staff was supposed to be only wrapping up cases and not taking on new ones.

Regarding DCTC's comments on drug screening test strips, our focus was on expenditures for the Teen Court program, not the Camp X-Rayd program. We were not aware that these expenditures pertained to a different program until receiving DCTC's responses to our report. Again, given that the State Attorney was chosen by the City Council to replace DCTC as the administrator of the county's Teen Court program, any supplies or assets should have been at a minimum turned over to the State Attorney or the City. The City did not have a contract with PAL.

Regarding the purchase of U-Haul boxes, according to the invoice a total of 45 boxes were purchased. This item is listed as questionable because most of the client records were shredded,

as indicated in the response of the former Executive Director. When we requested financial support, we received only one box of records. This box had to be sent from the former Executive Director's home in Paducah, Kentucky. The former Executive Director indicated that all records were being stored at her home. We are not aware of any records being stored with the State Attorney's Office. Thus, the necessity for that many boxes is questionable.

RECOMMENDATION #2

All future City contracts with not-for-profit agencies who receive funding through the City should contain language that specifically prohibits the use of a debit card that accesses City funds. This would force each agency to utilize a formal check writing system. In addition, the contract should require that all checks be signed by at least two signatories. Monitoring performed by City departments should include a review of expenditures to ensure that these requirements are adhered to.

DCTC/Community Services' Response to Recommendation #2

No response provided.

RECOMMENDATION #3

The Community Services Department should oversee the work performed by each of its contract monitors to ensure that a quality product is being obtained, that the monitoring is being documented in accordance with office policies and procedures and that there is a sufficient level of monitoring for each not-for-profit organization.

DCTC Response to Recommendation #3

Duval County Teen Court, Inc. made a good faith effort to ensure the City and its youth received a positive benefit from this program.

Community Services' Response to Recommendation #3

The Community Services Department during the time of this audit provided oversight to an estimated 117 Public Service Grants and an additional eleven million dollars in other significant contractual agreements. Each of these contractual relationships required strict monitoring and reporting with the department successfully providing oversight to all. Every grant monitor is trained and evaluated on his/her performance in adhering to required policies and procedures.

In this incidence with the Duval County Teen Court, Inc. Program the challenges as noted earlier in this document directly correlates to the difficulties experienced by the department grant administrator to monitor/audit this program.

RECOMMENDATION #4

We recommend that the Community Services Department contact the General Counsel's Office to determine whether any legal action should be taken to ensure that the City is made whole financially for the disallowed expenditures and possibly the questionable expenditures as listed on *Attachment A*.

Community Services' Response to Recommendation #4

With the City reorganization effective October 1, 2007 the Community Services Department has been restructured. It would now become the decision of the Recreation and Community Services Department/Grant Compliance Unit to pursue or not pursue this action.

The Community Service Department appreciates having been given the opportunity to respond to the audit findings and recommendations regarding the Duval County Teen Court, Inc. program audit.

Sincerely,

Kirk A. Sherman

Kirk A. Sherman, CPA
Council Auditor

Council Auditor's Office
Duval County Teen Court, Inc.
Expense Summary



Attachment A

(Disallowed)							
Finding # Per	Report	Date	Check #	Payee	Amount	Notes	Disallowed Per
6		9/30/2005	1643	Gunn & Company PA	\$ (10,000.00)	Final Bill & Audit.	Contract XI.A.
6		3/27/2006	1653	Gunn & Company PA	\$ (2,600.00)	2005 Tax Return Prep.	Contract XI.A.
					\$ (12,600.00)		
3		4/11/2006	Levy	Force Paid Debit	\$ (3,914.78)	Tax Levy, Of Which \$97.50 Relates To Payroll Taxes And \$3,817.28 Relates To Corporate Filing	Ch. 118.301 (a)(3)(v)
3		4/11/2006	Fee	Service Charge	\$ (75.00)	Fee Associated With IRS Penalty Above	Ch. 118.301 (a)(3)(v)
3		11/14/2005	1648	Amcomp	\$ (1,731.00)	Florida Statutes Violation Penalty Fee As A Result of Non-Compliance With Florida State Special Audit. Penalty Was Enforceable At Three Times Previous Annual Premium Plus Five-Hundred Dollar Penalty Per F.S. 440.381.	Ch. 118.301 (a)(3)(v)
2		8/10/2005	Debit	Olive Garden	\$ (130.12)	Food Purchase of 1 Hors D'oeuvre, 6 Non-Alcoholic Drinks and 5 Lunches Per Receipt.	Ch. 118.301 (a)(3)(iv)
2		7/1/2005	Debit	TGI Fridays	\$ (128.00)	Food Purchase at TGI Friday's, Per Receipt Wednesday June 29, 2005.	Ch. 118.301 (a)(3)(iv)
2		9/6/2005	Debit	American Café	\$ (77.17)	Friday September 2, 2005 - 1 Hors D'oeuvre, 6 Non-Alcoholic Drinks (1 Child's), 3 Lunch Orders, 1 Dessert Per Receipt.	Ch. 118.301 (a)(3)(iv)
2		7/15/2005	Debit	Wendy's	\$ (25.16)	Food Purchased Thursday July 14, 2005 per Receipt.	Ch. 118.301 (a)(3)(iv)
2		8/19/2005	Debit	Panera Bread	\$ (15.90)	Food Purchase of 2 Lunches and 2 Soft Drinks Per Receipt Wednesday August 17, 2005.	Ch. 118.301 (a)(3)(iv)
2		9/21/2005	Debit	Dominos Pizza	\$ (142.09)	No Documentation	Ch. 118.301 (a)(3)(iv)
2		9/19/2005	Debit	Burrito Gallery	\$ (75.00)	No Documentation	Ch. 118.301 (a)(3)(iv)
2		9/19/2005	Debit	Burrito Gallery	\$ (5.35)	No Documentation	Ch. 118.301 (a)(3)(iv)
					\$ (598.79)		
2		7/11/2005	Debit	Hess	\$ (16.36)	Ice, 16oz Hot Drink, Zephyrhills Per Receipt Purchased Saturday July 9, 2005.	Ch. 118.301 (a)(3)(iv)
2		9/19/2005	Debit	Winn Dixie	\$ (15.18)	Water, Fruit Juice Per Receipt Purchased	Ch. 118.301 (a)(3)(iv)
2		9/19/2005	Debit	Wal-Mart	\$ (12.84)	Ice Hot, Wipes and Ice Per Receipt Purchased Saturday September 17, 2005.	Ch. 118.301 (a)(3)(iv)
2		9/19/2005	Debit	Gate	\$ (4.47)	Ice Per Receipt Purchased Saturday September 17, 2005.	Ch. 118.301 (a)(3)(iv)
					\$ (48.85)		
2		10/3/2005	Debit	Hyatt Regency	\$ (125.00)	No Documentation-Lunch Per Notes Received From Auditee	Ch. 118.301 (a)(3)(iv)
4		6/16/2005	1575	Florida Association of Teen Courts	\$ (50.00)	Reimbursement for expenses incurred for the purpose of advancing the reinstatement of the \$3 fee.	Ch. 118.301 (a)(3)(vii)
4		9/27/2005	1631	Kimberly Walsh	\$ (133.25)	Travel Reimbursement for FATC Trip to Orlando	Ch. 118.301 (a)(3)(vii)
3		9/8/2005	NSF	Insufficient Funds Charge	\$ (36.00)		
3		9/8/2005	NSF	Insufficient Funds Charge	\$ (36.00)		
3		9/8/2005	NSF	Insufficient Funds Charge	\$ (36.00)		
3		10/18/2005	NSF	Insufficient Funds Charge	\$ (36.00)		
3		10/24/2005	Fee	Overdraft	\$ (35.00)		
3		11/1/2005	Fee	Overdraft	\$ (35.00)		
					\$ (214.00)		
				Total Disallowed Cost	\$ (19,490.67)		

(Questionable)							
		7/12/2005	3040	Cassandra Abraham	\$ (1,000.00)	Per Teen Court Check Stub, Parent Project Facilitator July 2005, No Documentation Provided.	
		9/16/2005	197	Cassandra Abraham	\$ (1,000.00)	No Documentation	
		9/28/2005	3047	Cassandra Abraham	\$ (1,000.00)	Per Teen Court Check Stub, Parent Project Facilitator September 2005, No Documentation Provided.	
		6/29/2005	3039	Debra Rains	\$ (1,000.00)	Per Teen Court Check Stub, Facilitation Payment July 2005, No Documentation Provided.	
		8/17/2005	3043	Debra Rains	\$ (1,000.00)	Per Teen Court Check Stub, Facilitation Payment August 2005, No Documentation Provided.	
		9/28/2005	3046	Debra Rains	\$ (1,000.00)	Per Teen Court Check Stub, Facilitation Payment September 2005, No Documentation Provided.	
		9/30/2005	1637	Cingular Wireless	\$ (447.63)	No Documentation	
		9/8/2005	1620	Cingular Wireless	\$ (440.89)	July 2005 Cell / Teen Court Containing personal calls to Paducah, Ky.	
		9/30/2005	1647	Cingular Wireless	\$ (431.71)	Cell Phone Contract with former Executive Director per check stub. Contains personal calls to Paducah, Ky.	
		9/30/2005	1635	Cingular Wireless	\$ (382.22)	Cell phone Contract Buyout Lillie Per Cancelled Check Memo. No Other Documentation.	
		2/8/2006	Debit	Computer Source Inc	\$ (187.95)	City Computer Data Erasure In Paducah, KY Per Computer Source Invoice.	
		9/8/2005	3045	Drug Screen Solutions	\$ (1,587.50)	Test Strips Per Cancelled Check Memo. No Other Documentation.	
		9/29/2005	1634	Drug Screen Solutions, Inc.	\$ (181.25)	Payment Per Cancelled Check Memo. No Other Documentation.	
		10/3/2005	Debit	Intuit	\$ (199.00)	No Documentation	
		9/8/2005	1624	Kimberly Walsh	\$ (99.95)	No Documentation	
		7/13/2005	1591	Kimberly Walsh	\$ (85.60)	Per All About Cellular Receipt, Reimbursement for Bluetooth Purchased 7/13/2005.	
		7/13/2005	3042	Kinkos	\$ (600.60)	Purchase of 2-300 Page Brochures Per Kinko's Receipt.	
		7/28/2005	196	Kinkos	\$ (600.60)	Pamphlets/Brochures Per Cancelled Check Memo.	
		7/25/2005	Debit	Kuhn	\$ (74.79)	No Documentation	
		9/15/2005	Debit	Uhaul	\$ (82.55)	Per 9/13/05 Receipt, purchase of 45 boxes.	
		10/10/2005	Debit	Shred It First Coast	\$ (97.50)	No Documentation	
				Total Expenses in Question	\$ (11,499.74)		

Note #1: Our examination was limited to transactions appearing on bank statements between July 1, 2005 and June 30, 2006. However, we were provided other documentation for the period prior to July 1, 2005 and noted several instances of similar expenditures as noted in our findings.

Note #2: The Teen Court Program was transferred to the State Attorney with the approval of Ord. 2005-683-E on 7/26/05. The City Council Finance Committee had approved this ordinance on 7/18/05 before its passing by the full Council on 7/26/05. The official transfer of the Teen Court Program to the State Attorney's Office became effective on 8/1/05.

ATTACHMENT B

CHRONOLOGY OF EVENTS

The following is a chronological summary highlighting our numerous attempts to obtain information from Duval County Teen Court, Inc. (DCTC).

December 21, 2005	The Council Auditor's Office received a telephone call from the Police Athletic League (PAL) questioning when they would receive payment on a \$10,000 invoice sent to DCTC for the year ended September 30, 2005.
January 5, 2006	The former Council Auditor sent a letter to the DCTC Board Treasurer requesting bank statements and canceled checks for October, November and December 2005 in order to determine the current cash balance and ascertain how any remaining funds had been spent since their year-end closeout on September 30, 2005. This letter was sent to the Board Treasurer because we did not have a forwarding telephone number or address for the former DCTC Executive Director, who had relocated to Paducah, Kentucky in October 2005. In addition, the letter indicated that the DCTC audit report did not correctly segregate the expenditures for the DCTC program and another program (Camp X-Rayd) funded by the City and managed by DCTC.
January 9, 2006	We received an email from the independent auditors engaged by DCTC which confirmed that one of the liabilities at September 30, 2005 was a \$10,000 invoice owed to the PAL. However, September 2005 board minutes for DCTC indicated a recommendation was made to donate any excess funds (estimated at \$15,000) to PAL. This recommendation could not be approved as the Board did not have a quorum.
January 11, 2006	We received an amended schedule from DCTC's independent auditors that segregated expenditures incurred for the Teen Court and Camp-X Rayd programs, both of which were operated by DCTC.
January 18, 2006	We received a letter from the Board Treasurer of DCTC with copies of only a portion of the bank statements that we had requested. We were still missing the following information: November 2005 bank statements for four of the five accounts, December 2005 bank statements for all five accounts, check copies for all five accounts for October through December 2005. The Board Treasurer requested that we courtesy copy the former DCTC Executive Director and Board Members for any future requests. (It should be noted that initially we were provided bank statements for five separate accounts. However, it was later determined that bank statement information was inadvertently included for one of the accounts that was not a City account. Thus, in total DCTC utilized four separate

	bank accounts for the City funds.)
January 31, 2006	Since we had not received any additional correspondence from the Board Treasurer, we then sent an email to the former Executive Director of DCTC reiterating our request from our letter dated January 5, 2006. The former Executive Director responded on January 31, 2006 that there were actually only four City accounts and that one of those four accounts was closed due to a zero balance and inactivity. In addition, the former Executive Director stated via an email that she had not yet received the December 31, 2005 bank statements.
February 9, 2006	We sent an email to the former Executive Director again requesting that the deficient information from our initial request be addressed. This included bank statements from November 2005 for four accounts, bank statements from December 2005 for five accounts, canceled checks for all five accounts from October through December 2005. We also added January 2006 bank statements and canceled checks to our request given that these should have been available to DCTC with the additional lapse of time.
February 16, 2006	The former Executive Director emailed our office to inquire as to whether we had received the City's laptop computer via the mail. She indicated that we would receive bank statements by the end of the week. We responded via email that we did receive the laptop on February 16, 2006.
February 24, 2006	After receiving no correspondence from the former Executive Director since February 16, 2006, we contacted the Board Treasurer to again request the following information be provided: November 2005 bank statements for three accounts, December 2005 bank statements for all four accounts, January 2006 bank statements for all four accounts, and canceled checks for all four accounts from October 2005 through January 2006.
February 28, 2006	The former DCTC Executive Director sent an email to our office indicating that she was faxing bank statements for November 2005, December 2005 and January 2006.
March 8, 2006	After still noting deficiencies in the information requested, staff members of the Council Auditor's Office met with another Board member of DCTC. We then sent another email to the Treasurer of the Board reiterating our request for the following information: <ul style="list-style-type: none"> • Bank Statements from October 1-15, 2005 for all five accounts (there was initial confusion over the number of accounts as one bank statement that was not a City account was included with DCTC's initial response from the Board Treasurer). In performing our reconciliation we had found that although October bank statements had been provided in January 2006, these statements only reflected transactions from October 15-31, 2005. • Transaction History from February 1, 2006 through March 8,

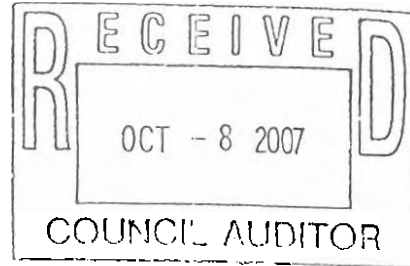
	<p>2006 for all five accounts.</p> <ul style="list-style-type: none"> • Canceled Checks or scanned check images for all accounts from October 2005 through March 8, 2006.
March 9, 2006	We received an email from the DCTC Board Treasurer who indicated that the former Executive Director was out of town. He asked whether we were prepared to have DCTC incur banking costs in order to obtain the canceled checks. We asked for the Board Treasurer to obtain an estimate for us of how much it would cost DCTC to obtain the canceled checks.
April 3, 2006	Our office sent an email to the former DCTC Executive Director to check on the status of a cost estimate for the canceled check images that we had inquired of on March 9, 2006.
April 11, 2006	The Board Treasurer responded via email that he was attempting to make contact with the former DCTC Executive Director to determine how much it would cost DCTC to obtain canceled checks directly from the bank.
April 21, 2006	We received an email from the Board Treasurer indicating that it would cost DCTC \$175 to obtain copies of canceled checks from the bank since they did not maintain any copies in their files. The Board Treasurer asked if we would like him to proceed with the request given the cost.
April 24, 2006	We responded back to the Board Treasurer that we did want DCTC to pursue their request for canceled checks, but only if the scanned check images that should have been provided with each bank statement were not available.
May 2, 2006	We received an email from the former Executive Director who indicated that DCTC would be unable to obtain copies of canceled checks as the IRS had just deducted \$3,914.78 from one of the Teen Court Bank accounts through a levy placed on their accounts.
May 30, 2006	The former Executive Director provided partial bank statement information, indicating that the remainder would be provided by June 2, 2006. The information sent included bank statements for two accounts for April 2006, one check image, and one screen shot of the balances in the four City accounts as of May 30, 2006.
June 5, 2006	Staff members of the Council Auditor's Office, General Counsel's Office, and the DCTC Board met to discuss what information was still needed. At this time, the former Executive Director was conferenced into the meeting via telephone from Kentucky, where she relocated from Jacksonville in October 2005.
June 28, 2006	We received a 13 page fax from the former DCTC Executive Director of additional bank statements that she had received. She indicated that a bank statement would not be generated for an account if it had no activity or a zero balance in the account. We responded back to the Board Treasurer, Board Chairman and former Executive Director on that same day that the following items had still not been provided:

	<ul style="list-style-type: none"> • Bank Statements for all accounts from October 1-15, 2005 • Canceled checks or scanned check images for several transactions • Various other bank statements for two accounts
July 4, 2006	We received bank statements from the Board Treasurer for all accounts for the time period of October 1, 2005 through October 15, 2005.
August 1, 2006	We received bank statements and check images directly from the bank for each of DCTC's four bank accounts for the period July 1, 2005 through June 30, 2006. Due to our office's involvement with the review of the City's budget, we were unable to review this information until the end of September 2006.
October 13, 2006	After reviewing the bank statements and canceled checks provided to us on August 1, 2006, we met with Board Members and the Chairman of the Board to request supporting documentation for expenditures we considered either disallowed pursuant to Chapter 118 of the Municipal Code or questionable.
December 13, 2006	Board Members of DCTC obtained records from the former Executive Director (now located in Paducah, Kentucky) and pulled together available supporting documentation to help explain some of the expenditures in question. One box containing a portion of records was given to our office to review.
March 13, 2007	Due to our contractual commitment to the City's independent audit firm, our review of this supporting documentation provided by the DCTC Board members was delayed until late February 2006. Based on our review of the documentation provided, we then finalized our list of disallowed expenditures and questionable expenditures. We presented these expenditures to one of the DCTC Board Members.
March 28, 2007	We met with representatives of the Community Services Department to discuss expenditures made by DCTC during a portion of the FY 2004/05 and also to determine the level of monitoring performed on DCTC.
June 2007	We distributed a draft report concerning our findings to the DCTC and Community Services Department.
October 8, 2007	We received responses to our draft report from DCTC.
December 4, 2007	We received responses to our draft report from the former Director of the Community Services Department.

Attachment C

**Responses from DCTC and
Community Services Department**

September 25, 2007



VIA FACSIMILE ONLY: (904) 630-2908

Mr. Kirk A. Sherman
City Council Auditor
Office of the Council Auditor
117 West Duval Street, Suite 200
Jacksonville, Florida 32202

Re: Duval County Teen Court, Inc.

Dear Mr. Sherman:

Please accept this letter as the Duval County Teen Court, Inc.'s response to the final audit report prepared by your office on the closing months of Duval County Teen Court, Inc.'s operations and the winding up of DCTC's affairs before they were turned over the State Attorney's Office.

Teen Court's responses will follow in order of the audit report's finding and conclusions.

INTRODUCTION:

The introduction claims the review was initiated by a claim for money owed to the Police Athletic League for services performed by it on behalf of DCTC. The review was to determine the amount of cash balances within DCTC accounts and why PAL had not been paid for services they claimed were rendered. The report does not say one word about DCTC owing PAL money because it did not. DCTC and PAL voluntarily worked together on programs intended to assist troubled teens. Both DCTC and PAL felt the programs were successful and should be continued after the SAO took over the operation of the Teen Court. Some of the brochures and drug test kits Teen Court had paid for were turned over to PAL for this reason. It was in this context that Teen Court offered to turn over the ending account balance to PAL so these programs could be continued, if it was appropriate. This is what the PAL Teen Court Board member called the City to inquire about.

Inasmuch as Teen Court learned that such a contribution would be improper, no charitable contribution was or could be made. Therefore no debt was incurred.

BACKGROUND:

In the second paragraph of the background section, the report states that Duval County Teen Court was held to compliance standards for public services grants as set forth in Chapter 118 of the City Code. This is inaccurate because while Teen Court was held to such standards, it also was directed by the City Council to conduct itself otherwise from time to time.

For example, regarding the two audits by Gunn & Company, each annual budget approved by the Public Service Grant Committee and by the entire City Council contained line items for audit expenses. The draft report states that these two expenses were disallowed per the contract, but clearly a vote of the City Council approving these expenses in our budget was the basis for the expenditures. Teen Court was not advised that payment of the audit expenses was not allowed by city ordinance.

It does not make sense that Teen Court would have been required to have audits, but was not allowed to use operating funds to obtain the audits.

In the background section, the report states that Duval County Teen Court was provided funding "totalling \$300,000 from the City during fiscal year 2004/05, . . ." This is an incorrect statement. The funding was not provided by the City but rather was provided by the Clerk of Court, an entirely different constitutional entity from the City. A portion of the \$65 Court fee, as noted in the report, was earmarked for Duval County Teen Court. The Court fee in its entirety was collected by the Clerk of Court. The Clerk of Court had no authority to disburse funds directly to Duval County Teen Court and therefore the mechanism of disbursing the funds through the City was used. This does not mean that the funds belonged to the City or that the City provided the funds. This was not a City program paid for with taxpayer money.

FINDINGS:

The findings section of the report states that "it is important to note that our review was limited to bank statements from July 1, 2005 to June 30, 2006. Given the transition of the program to the State Attorney was effective August 1, 2005, this represents only one full month of operation and the wrap up of the program. Had we reviewed further information, additional problems might have come to our attention."

While the City Council ordinance to transfer the Teen Court Program from a private non-profit corporation to the State Attorney's Office authorized that transfer as of August 1, 2005, because Teen Court, and indeed all City Government, runs on a fiscal year from October 1 through September 30, the actual transfer did not take place until September 30, 2005. The operation of Teen Court was always under the City's review by the Community Services Department.

No. 2:

Duval County Teen Court had direct authority from the City to make such expenditures. Food expenditures were needed on the evenings when Teen Court was in session for the staff and volunteers and teens who were referred to Teen Court. A line item for food expenditures was contained in the 2005 budget, which was approved by the Public Service Grant Committee and

the City Council. Therefore disallowed expenses pertaining to the purchase of food or beverages should be deleted from the report.

No. 3:

With regard to the IRS charges, we believe firmly that those charges are incorrect and could be reversed with the proper legal challenge. However, since Duval County Teen Court has dissolved, there are no further funds to spend on such a challenge.

Finding Number 3 disallows an expense of \$1,731 to Duval County Teen Court's workers compensation insurance carrier. This was a fee for an audit that could not be performed because the request for audit was mailed to Duval County Teen Court, Inc. after it had ceased to operate and operations were transferred to the State Attorney. In addition, there is no support for the finding that a \$500 penalty was paid.

No. 6:

As stated, each annual budget approved by the Public Service Grant Committee and by the entire City Council contained line items for audit expenses. The report states that these two expenses were disallowed per the contract, but clearly a vote of the City Council approving the contract overrides whatever contract language applies. Therefore, these expenses should not be disallowed and should be removed from the schedule of disallowed expenses.

No. 9:

In finding Number 9, the report acknowledges the auditors did not review the formal minutes. Then the report concludes that board should somehow be more aware of transactions. The board met regularly and attempted to review operational and financial aspects of the program in a thorough manner.

In addition, finding Number 9 states that the board treasurer stated that all check disbursements were required to be signed by two parties. First, the treasurer denies making that statement. Second, it is not true. Teen Court's bank required only one signature and would have charged additional account fees if two signatures had been required. Moreover there was never any requirement by the Board of Directors, by the City Council, or by any legislation or regulation requiring two signatures per check.

RECOMMENDATIONS:

No. 1: "Disallowed" and "Questionable" Expenditures

The total amounts for the "disallowed" and "questionable" expenditures are disputed

"Disallowed"

As set forth previously, \$12,600 was expended for independent audits as required by law. There was no other source of funds for these audits other than program funds. There should be a change in law such that required audits can be paid for with program funds.

The \$3,914.78 in IRS charges and worker's compensation audit fee should be excluded from the disallowed funds for the reasons stated above. The IRS charges were in error, but Teen Court had no funds to litigate the dispute. The charge for a worker's compensation insurance audit was charged because the request for the insurance audit was made after Duval County Teen Court ceased operations.

Expenditures for food were approved by the City Council when it approved Teen Court's contract. A total of \$821.49 for food expenditures is listed in the "disallowed" charges. This amount should be removed.

Therefore, the \$19,490.37 in "disallowed" charges should be reduced to \$2,158.10

"Questionable"

In the "questionable" charges, a total of \$6,000 is questioned for payments to the Parent Project facilitators in July, August, and September 2005. These facilitators worked with parents of teens referred to Teen Court to help prevent them from repeating their mistakes. The report fails to note that these same facilitators had been retained as independent contractors by Teen Court for many months prior to the period which the report covers. IRS Form 1099s were issued to these facilitators. In addition, in response to the draft audit report, Teen Court provided an affidavit from one of the facilitators attesting to receipt of the payments for work performed.

Also in the "questionable" charges, there are two line items for drug screening kits totalling \$1,768.75. These were drug screen test strips that were necessary for screening teenage participants in Camp X-RAYD to ensure that no participant was under the influence of any drugs while participating in the physically rigorous Camp X-RAYD program. These strips were turned over to the Police Athletic League for use during the Camp X-RAYD program.

There are two line items totalling \$1,201.20 for printing of Camp X-RAYD brochures. These, similarly were turned over to PAL for the Camp X-RAYD program. Accordingly these items should be removed from the schedule of questionable expenses.

There is a line item for U-Haul in the amount of \$82.55. This was to purchase boxes to move Teen Court records to the State Attorney's office and to comply with storage requirements for various operational documents. The line item for Shred-It First Coast in the amount of \$97.50 was to destroy confidential teen-client information that was not necessary to the continuation of the program after it was transferred to the State Attorney. These two items total \$180.05.

Therefore, the \$11,499.74 in "questionable" expenditures should be reduced to \$2,349.74.

In all, the \$30,990.11 of "disallowed" and "questionable" expenses should be reduced to \$4,507.84.

Recommendation No. 3:

Duval County Teen Court, Inc. made a good faith effort to ensure the City and its youth received a positive benefit from this program.

Sincerely,



Kimberly Walsh Turner



MEMORANDUM

**To: Kirk A. Sherman, CPA
Council Auditor**

**From: Dr. Delphia S. Williams
Acting Chief, Behavioral and Human Services Division**

Date: December 4, 2007

Re: Responses to Audit: Duval County Teen Court, Inc. Program

This memorandum is in response to findings numbers 10 and 11 resulting from the audit regarding the Duval County Teen Court, Inc. Program.

Response to Finding #10: Lack of Sufficient Contract Monitoring

The Community Services Department leadership at the time of this audit acknowledged that pre-existing challenges were inherited from the past contract administrators lack of sufficient contract monitoring, auditing and documenting of program events. This contract manager is no longer employed by the City.

With the onset of the departments new grant administration practices, these challenges were improved. However, interference by representatives from other offices complicated the department's ability to effectively provide oversight as outlined in Chapter 118.

The Community Services Department enhancements to the management and overall Public Service Grant Program (PSG) resulted in improvements regarding efficiencies in all other grants, with this grant being the one exception.

Response to Finding #11: Lack of Review of Audit Report

The Community Service Department accepts and recognizes its responsibility for closing out programs that it monitors in accordance with Chapter 118.

All program close outs were in keeping with established guidelines and procedures, and were submitted to the auditor, in the Council Auditors Office for

review and comment. The departments grant administrator adhered to the directions and recommendations provided by the Council Auditors Office. With the Council Auditor appointment of a new auditor to assist the department with PSG's the monitoring/reporting expectations were enhanced. Immediately, the departments grant administrator implemented the new guidelines and training for grant monitors was conducted.

The Community Service Department Director, and grant administrator were not aware nor did they receive a copy of the outside audit firm's report. Hence, the department could not respond to the findings detailed in that document.

The responses provided below are in reference to the following recommendations:

Recommendation #3

The Community Services Department during the time of this audit provided oversight to an estimated 117 Public Service Grants and an additional eleven million dollars in other significant contractual agreements. Each of these contractual relationships required strict monitoring and reporting with the department successfully providing oversight to all. Every grant monitor is trained and evaluated on his/her performance in adhering to required policies and procedures.

In this incidence with the Duval County Teen Court, Inc. Program the challenges as noted earlier in this document directly correlates to the difficulties experienced by the department grant administrator to monitor/audit this program.

Recommendation #4

With the City reorganization effective October 1, 2007 the Community Services Department has been restructured. It would now become the decision of the Recreation and Community Services Department/Grant Compliance Unit to pursue or not pursue this action.

The Community Service Department appreciates having been given the opportunity to respond to the audit findings and recommendations regarding the Duval County Teen Court, Inc. program audit.