

Jacksonville Children's Commission Revenue Audit

November 1, 2007

Report #649

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AUDIT REPORT #649

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



November 1, 2007

Report #649

Honorable Members of the City Council
City of Jacksonville

INTRODUCTION

Pursuant to Section 5.10 of the Charter of the City of Jacksonville and Chapter 102 of the Jacksonville Municipal Code, we conducted an audit of the Jacksonville Children's Commission (JCC) for the period beginning October 1, 2005 through March 31, 2007.

JCC Organization

The Jacksonville Children's Commission (JCC) was created in 1994 by Chapter 51 of the Municipal Code to serve as the community coalition for children. JCC was set up to be an autonomous body within the executive branch of the consolidated government, and therefore is not part of the organizational structure of any executive department. JCC is structurally organized into four divisions as follows: Office of the Director, the Mayor's Early Literacy Program, the Don Brewer Early Learning and Professional Development Center, and the Training Division. JCC has 19 Board of Director members, of which 11 are appointed by the Mayor and confirmed by Council. These 11 members are voting members that evaluate, plan, and approve the distribution of the City's funds for children's services. The remaining 8 are ex-officio board members who represent the school system, state government, law enforcement and other community funding partners.

JCC Operations

JCC focuses on primary prevention and early intervention for children. Primary prevention programs target children who live in families and neighborhoods where risk factors such as poverty, crime, poor housing or family disruption increase their chances for poor outcomes. JCC's intent is to help children avoid risky behaviors and succeed in school.

JCC Funding Sources

JCC receives funding from the City's General Fund, the State and various Federal grants. JCC also receives revenue through fees charged for childcare services provided at the Don Brewer Center as well as training classes provided on site by its Training Division. JCC's total budget for the FY 2006/07 was \$58,597,152 and for the FY 2007/08 was \$55,609,364. The General Fund contribution from the City for fiscal years 2006/07 and 2007/08 was \$23,768,595 and \$20,640,114, respectively.

JCC Personnel

For the FY 2007/08, JCC's City-funded budget included a total of 74 full-time equivalent positions. Of the 74 positions, 26 were authorized for the Office of the Director, 22 were authorized for the Mayor's Early Literacy Program, 19 were authorized for the Don Brewer Center, three were authorized for Program Services and four were authorized for the Training Division. The FY 2006/07 full-time employee cap was increased from 58 positions, mainly due to the absorption of several employees that were previously funded by grant dollars. Positions for Early Literacy increased by 15, positions for the Don Brewer Center decreased by one, positions for Program Services increased by three and the positions for Training decreased by one.

Early Literacy

The Mayor's Early Literacy Initiative is a program designed to prepare four-year olds for kindergarten through the Mayor's Book Club and other activities. For FY 2006/07, 8,818 children were enrolled in the book club. There is no cost for enrollment; thus, there are no revenues from fees for these services, which are funded entirely by a General Fund Contribution. The budgeted General Fund Contribution to the Early Literacy Program for 2006/07 was \$4,421,662 and the budgeted contribution for 2007/08 is \$4,369,022.

Don Brewer Center

Section 51.201 of the Municipal Code established the Don Brewer Early Learning and Professional Development Center as an autonomous body within JCC to be governed by an additional board of directors consisting of five voting members. The Center was set up to develop a community-based model demonstration center that serves children from low-income families. Daycare and pre-school services are provided for young children ages six weeks to five years. The maximum capacity for the Don Brewer Center is 98 children. Currently there are 90 children enrolled at the Center.

The Brewer Center's budget, including a General Fund Contribution, totaled \$1,251,929 for FY 2006/07 and \$1,222,207 for FY 2007/08. Additionally, the Don Brewer Foundation, Inc. (a private, non-profit organization) provides \$50,000 annually to the Brewer Center. This funding is not part of the City's budget. The funding is from interest earned on a \$1,000,000 endowment provided by the Don Brewer Foundation Chair. The endowment and associated interest are maintained by the Foundation and not contained in City accounts. Additional revenue comes from the Voluntary Pre Kindergarten (VPK) reimbursements from the Early Learning Coalition (ELC), parent fees for meals and child care and payments from the State of Florida for reimbursement of the cost of meals for eligible children. The VPK program, which is administered by day care providers, is designed to prepare four year olds for kindergarten.

Training Division Operations

The Training Division provides various workshops to parents, child caregivers and others who work with children. A training catalog is published twice a year to advertise training sessions that are provided. Currently, the Training Division only charges a fee for the CPR and First Aid classes.

STATEMENT OF OBJECTIVES

The objectives of the audit were as follows:

1. To determine whether JCC is following the City's Standard Operating Procedures for Cash Receipts.
2. To determine whether all fees charged are being collected and deposited fully intact into City accounts.

STATEMENT OF SCOPE AND METHODOLOGY

- The period for detailed testing was from October 1, 2005 to March 31, 2007. We accessed the City's accounting system and documented all cash receipts received by JCC.
- All deposit documentation maintained by JCC such as check copies, cash receipts from the Tax Collector's Office and other related documents were examined.
- We discussed grant contracts with the appropriate personnel to determine sources of revenue.
- We reviewed board minutes to obtain financial and other significant information.
- All third parties, excluding parents of children attending the Brewer Center, were contacted concerning payments made to JCC. We obtained from the third parties all payments that had been made during October 1, 2005 through March 31, 2007 to ensure that all funds provided were deposited into City accounts.
- We interviewed personnel responsible for the collection, custody, deposit and safeguarding of cash receipts to determine compliance with the City's Standard Operating Procedures for Cash Receipts.

SUGGESTED ADDITIONAL AUDIT WORK

In limiting the scope of this audit, we did not pursue the following areas, and as such they should be considered for future audit work. We recommend JCC review and improve these areas.

- Wire transfers for grants-Monitoring of the wire transfers and the related grants is not a formally documented process.
- Brewer Center management and compliance-We noted that student attendance records provided to us were not kept in an organized fashion and were not complete.

STATEMENT OF AUDITING STANDARDS

We conducted our audit in accordance with generally accepted government auditing standards issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to afford a reasonable basis for our judgments and conclusions regarding the organization, program, activity, or function under audit. This audit also included an assessment of applicable management controls and compliance with requirements of laws and regulations when necessary to satisfy audit objectives. We believe that our audit provides a reasonable basis for our conclusions.

AUDITEE RESPONSES

Responses from the auditee have been inserted after the respective finding and recommendation. We received these responses from JCC, via Linda Lanier, Executive Director, in a memorandum dated May 30, 2008, which has also been attached at the end of the report.

AUDIT CONCLUSIONS

1. JCC is not in full compliance with the City's Standard Operating Procedures for Cash Receipts.
 2. All fees that should have been charged were not collected or they were not all deposited into City accounts.
-

AUDIT OBJECTIVE #1

To determine whether JCC is following the City's Standard Operating Procedures for Cash Receipts.

Finding 1 *City Cash Procedures*

We found instances where JCC did not follow the City's Cash Procedures related to deposits made during the period October 1, 2005 through March 31, 2007. Specifically we found the following:

1. When the JCC receptionist receives revenue through the mail, a list of the revenues is not prepared. The result is the inability to compare the amounts deposited to the amounts received.
2. Documentation evidencing deposit reconciliation is not maintained. Deposits are not formally and consistently reconciled to check copies, prelists, other supporting documents, or the City's general ledger. JCC indicated that they perform spot checks on deposits to ensure that all funds are deposited intact to the proper account, but in most cases the personnel do not provide signatures or any other type of support showing this activity has been performed. In such an environment, cash receipts could be misappropriated or recorded in the wrong accounts without being detected.
3. Checks were made payable to the Don Brewer Center instead of the City of Jacksonville or the Tax Collector.
4. Deposits were not made in a timely manner in accordance with the City's Cash Procedure requirements in 26% of the deposits examined or a date stamp was not used and timeliness could not be determined for nearly 20% of the deposits examined.
5. Deposits from Training fees totaling \$26,087 were posted to the wrong subfund within the City's General Ledger.

6. Inconsistencies, such as different deposit dates and different amounts, existed between supporting deposit documents.
7. A non-City employee transported City revenue from the Brewer Center to the JCC Finance area to be prepared for deposit. The City's Cash Procedures are very clear that "Non City employees are not bonded by the City and therefore should not handle City assets".
8. The City of Jacksonville's Cash Receipts Security Agreement was not signed by personnel responsible for the deposit and safeguarding of cash and checks. A signed Security Agreement is required by the City's Standard Operating Procedures for Cash Receipts and acknowledges the understanding of procedures.

Recommendation to Finding 1

1. We recommend that personnel who receive mail also open the mail and prepare a list of all revenue received. The list should include the date received, the department responsible, the amount, the payor and space for signatures. When the mail is picked up by the responsible division, the amount collected should be compared to the amount on the prelist. Both parties should then sign the prelist.
2. We recommend that JCC follow the City's Standard Operating Procedures for Cash Receipts and perform reconciliations of every deposit. All supporting documents should be compared to each other and to the prelist. The supporting documents should be compared to the City's accounting system to ensure the funds were posted to the appropriate account. The documents should then be signed to show the reconciliation has been performed. All Divisions within JCC who provide revenues to the Finance area for deposit should perform a reconciliation, check for accuracy and maintain documents within the Division.
3. We recommend that JCC contact all agencies that have issued checks to JCC under any name other than the City of Jacksonville or Tax Collector in order to have this corrected immediately.
4. JCC modified its internal directives to specify that checks cannot be held longer than three days without the approval of the Executive Director. However, this policy is more lenient than the City's Cash Procedures, which require daily deposits be made. As stated in #2 above, we recommend that JCC follow the City's Standard Operating Procedures for Cash Receipts which requires that funds be deposited the same day as received or the next business day. We also recommend that all checks be date stamped in order to be able to determine timeliness of all deposits.
5. See recommendation #2 above.
6. See recommendation #2 above.
7. We recommend that only trained City employees who have read the City's Standard Operating Procedures for Cash Receipts and have signed the Cash Receipts Security Agreement be permitted to have access to cash.
8. We recommend that management provide appropriate training to personnel who handle cash and checks.

Overall, we recommend that all employees at JCC who have any involvement with cash become familiar with the City's Standard Operating Procedures for Cash. We also recommend that employees with cash handling responsibility attend cash specific training on a routine basis.

Auditee Response to Finding 1

JCC concurs. The following have been implemented to address this finding:

- 1. JCC's "Incoming Mail Distribution" procedure has been revised to assign the opening of all mail to the JCC receptionist, who lists the department, all revenue received, the amounts and the payor. When the mail is picked up by each department's assigned "mail clerk," the amount collected is compared to the original list and both parties sign the log to verify its acceptance.*
- 2. JCC has revised the "Handling of Cash Receipts" policy to be consistent with the City's Standard Operating Procedures for Cash Receipts. Additionally, the procedure has been revised to include a step where the department handling cash reconciles the receipts back to the amount that has been collected and turned over to the Finance Division. JCC divisions outside of Finance will no longer handle cash receipts.*
- 3. Currently, no checks are issued to JCC under any other name than the City of Jacksonville or the Tax Collector. In addition, we have been advised that the Don Brewer Center will no longer operate as an early learning center effective August 14, 2008.*
- 4. JCC has revised the check handling policy to align with the City's Cash Procedures which require that deposits are made the same day as they are received or the next day within 24 hours. All checks are date stamped in order to determine the timeliness of all deposits.*
- 5. Deposits from training fees were incorrectly posted to the Child Services Trust Fund. This issue was immediately addressed as soon as it was noticed by the audit team last summer. Since that time all training fees have been posted to the correct subfund. In addition, the Training Department will no longer provide training classes that charge participant fees; therefore payments of any kind will no longer be collected.*
- 6. JCC has adopted the City's Standard Operating Procedures for Cash Receipts, and reconciliations are being made of every deposit. Additionally, the procedure has been revised to ensure that all deposits are being reconciled to the accounting system.*
- 7. As of September 7, 2007, there are no longer any non-city employees working at the Don Brewer Center.*
- 8. All personnel who handle cash have received appropriate training and have signed the City's Cash Receipts Security Agreement.*

Finding 2 *Non-City Employees Handling Deposits*

During our visit to the Brewer Center we found that non-City employees were working at the Don Brewer Center. The non-City employees were part time employees who were assisting with a variety of tasks, including the deposit of City funds. According to Section 51.202 of the Municipal Code which governs the Brewer Center, "All employees of the Center shall be employees of the City." In addition, Section II.A.8. of the City's Cash Procedures provides that "All employees are covered by the City's blanket Employee Dishonesty Bond". These non-City employees would therefore, not be bonded.

In addition, two of the part-time employees were family members of the Brewer Center Executive Director and operated under a contract with the Brewer Center Foundation. One family member was under contract for accounting services and the other contract did not state what services were to be provided. All part-time employees were paid via the Brewer Foundation Operational account, with payments being authorized by the Executive Director. Only the Executive Director's signature was necessary on the check.

Recommendation to Finding 2

We recommend that only City employees be permitted to be employed at the Don Brewer Center. Non-City employees should never be involved with the collection, preparation or deposit of City funds.

Auditee Response to Finding 2

As of September 11, 2007 there were no longer any non-city employees at the Don Brewer Center.

Internal Control Weakness 1 *Handling of Funds Received by Mail*

Mail is delivered to the receptionist by a mail carrier and then picked up for each division within JCC by various employees depending on availability of staff each day. This function is not designated and limited to specific employees. By designating the mail pick up activity to specific personnel there would be better control over incoming cash receipts.

Recommendation to Internal Control Weakness 1

We recommend management create detailed written procedures that designate the responsibility of mail pick-up to specific employees in each division. This will provide better internal control over the cash collection process.

Auditee Response to Internal Control Weakness 1

JCC's "Incoming Mail Distribution" procedure has been revised to assign the opening of the mail to the JCC receptionist, who lists the department, all revenue received, the amounts and the payor. When the mail is picked up by each department's assigned "mail clerk," the amount collected is compared to the original list and both parties sign the log to verify its acceptance.

Internal Control Weakness 2 *Excess Safe Combination Access*

Several people have the combination to the safe. The safe contains deposits that are kept over night or over the weekend if funds are received after 3:00 p.m. Of the multiple employees only two actually prepare deposits. Opportunity and accessibility increase the likelihood of misappropriation.

Recommendation to Internal Control Weakness 2

We recommend that the combination to the safe be changed and that only two individuals who prepare deposits be provided the new combination. While we understand that back-up personnel are needed in the absence of staff members, having multiple people with access to the safe jeopardizes the safeguarding of any cash on hand.

Auditee Response to Internal Control Weakness 2

JCC will purchase a new safe. However, in order to maintain adequate separation of functions and to provide coverage for the cash handling function during staff absences, JCC feels it is necessary for at least two staff members to have the combination to the safe, along with the Finance Director for purposes of changing the combination in the event of turnover.

Additionally, with the closing of the Don Brewer Center and the elimination of fee-based trainings, JCC no will no longer have significant amounts of cash or valuables stored in the safe.

Internal Control Weakness 3 *Cash Handling Directives*

JCC does not have specific directives for revenue collection. Although this is not a requirement of the City's Standard Operating Procedures for Cash Receipts, JCC would benefit from specific directives pertaining to revenue collection. JCC has several sources of funds which are unique to JCC which are received by way of mail, hand delivery and wire transfer. Funds, other than the wire transfers, are received in the form of cash and checks. Risk of misappropriation is increased due to the number of revenue sources and the varying ways the funds are received.

Recommendation to Internal Control Weakness 3

We recommend that JCC create revenue specific directives. The directives should not conflict with the City's Standard Operating Procedures for Cash Receipts. The new directives should serve as an enhancement to the City's Cash procedures and should identify all sources of revenue and the steps required to prepare the funds for deposit. Adhering to these specific directives will make revenue tracking easier in the future.

Auditee Response to Internal Control Weakness 3

JCC has developed a spreadsheet for ensuring all sources of revenue are identified. This spreadsheet identifies the sources of all non-general fund revenue and the details of where these funds should be posted upon receipt. This spreadsheet has been made a part of the desk manual kept by the Accountant who handles receivables. In addition, JCC is in the process of developing a formal revenue manual.

AUDIT OBJECTIVE #2

To determine whether all fees charged are being collected and deposited fully intact, on behalf of the City.

Finding 3 *Funding Not Deposited into City's Accounts*

The Don Brewer Center did not deposit all City funds into the City's accounts. We found that VPK program dollars, as well as other funds, totaling at least \$138,606 were inappropriately deposited into the Brewer Foundation account. This resulted in the mixture of City and non-City funds in an account from which various purchases were made by the Brewer Center. This makes it difficult to determine whether City funds were used appropriately. Numerous questionable

expenditures were noted during the review of the Foundation's operational account bank statements, including:

1. Non-City employees were paid for services provided to the Brewer Center. These non-city employees included the Director's husband and son. These family members were mentioned in previous findings above.
2. Several instances of catered events were noted, either for staff appreciation luncheons or Christmas parties.
3. Many transactions of large restaurant meal purchases (i.e. lunch for 20 or so people).
4. Several purchases from Kuhn Flowers were made for various staff members, the Director and the Chair of the Brewer Center Foundation.
5. An outside custodial company was paid for services. JCC already pays for custodial services for the entire JCC building, including the Brewer Center, as part of its contract maintained by Public Works.
6. Donations were made to other not for profit organizations, such as Cystic Fibrosis and the American Heart Association.
7. Payment was made to the Chair of the Brewer Center Foundation totaling \$2,000 for a Christmas Bonus in 2005.
8. Payment was made to the Chair of the Brewer Center Foundation in April 2007 for \$12,000, with the only notation that it was for the "Transfer of Funds". We could not determine where these funds were transferred as we were only permitted to have access to the bank statements for the one Foundation operational account. It is our understanding there is at least one other bank account within the Foundation's records.
9. Payment was made to the Chair of the Brewer Center Foundation for \$2,500 (two separate checks) for Christmas gifts for employees and reimbursement for "employee incentives".

Recommendation to Finding 3

We recommend that all funding received for services provided by the City while using City-paid staff and City facilities be deposited into City accounts. The City should not split these revenues with the Don Brewer Foundation under any circumstances. If funding had been deposited with the City, expenditures such as those noted above could not have been made.

Auditee Response to Finding 3

Steps have been taken to assure that all monies, including VPK funds for the operation of the Don Brewer Center are deposited into the appropriate city accounts and that appropriate procedures are followed in getting such monies appropriated. In addition, we have been advised that effective August 14, 2008, the Don Brewer Center will no longer operate as an early learning center so there will be no fees or revenue beyond that time.

Finding 4 *Discrepancies on Deposits of Brewer Center Parent Fees*

A discrepancy exists between the amount of parent fees that should have been collected by the Don Brewer Center and the amount of fees deposited. Based on the number of attending children and the appropriate rate per child, the amount that we estimate should have been

collected is \$325,154. The amount deposited into the City account was \$286,516. This is a shortage to the City of \$38,638.

Recommendation to Finding 4

We recommend that JCC perform a review of the cash collection processes at the Brewer Center and implement processes that can be monitored. The new processes should allow for checks and balances for all cash and checks collected by the Brewer Center.

Auditee Response to Finding 4

Last fall the Don Brewer Center staff sent letters to families with outstanding balances and updated its policies to reflect the City's cash collection policy. While attempts are being made to collect delinquent fees and appropriate systems have been put in place (Procure Accounts software) to track payments, it is unlikely that all of the historic delinquencies will be collected. The Director of the Brewer Center will make further attempts to enforce collection of overdue accounts, and will consult with the Office of the General Counsel regarding the best course of action to ensure collection or the resolution of the issue. In addition, we have been advised that effective August 14, 2008, the Don Brewer Center will no longer operate as an early learning center so there will be no fees or revenue beyond that time.

Finding 5 *Past due and Partial Payments to the Don Brewer Center*

The Don Brewer Center has selectively permitted parents to make partial payments on outstanding balances on child care accounts with no authorization from the JCC Board or the Brewer Center Board. In addition, the City's Cash Procedures do not address such an arrangement and no internal policies have been developed by JCC that would authorize any partial payments.

According to the automated daycare accounting system used by the Don Brewer Center, \$32,823 was outstanding from parents as of April 20, 2007. Of this balance, \$12,468 was between 0 and 29 days late, \$8,613 was between 30 and 59 days late, \$4,065 was between 60 and 89 days late, \$2,217 was between 90 and 119 days late and \$5,460 was over 120 days late. Some of the overdue accounts exceed \$2,000 on an individual basis.

Recommendation to Finding 5

We recommend that the Director of the Brewer Center enforce collection of the overdue accounts. Due to the length of time that some of these accounts have been overdue, we further recommend that the Director of the Brewer Center consult with the Office of the General Counsel regarding the best course of action to ensure collection.

Auditee Response to Finding 5

While attempts are being made to collect delinquent fees and appropriate systems have been put in place (Procure Accounts software) to track payments, it is unlikely that all of the historic delinquencies will be collected. The Director of the Brewer Center will make further attempts to enforce collection of overdue accounts, and will consult with the Office of the General Counsel regarding the best course of action to ensure collection or resolution of the issue. In addition,

we have been advised that effective August 14, 2008, the Don Brewer Center will no longer operate as an early learning center so there will be no fees or revenue beyond that time.

Finding 6 *Training Deposit Discrepancy*

Based on documentation provided by the Training Division on the number of classes held and fees paid per attendant by the JCC's Training Division, there is a discrepancy between the amount of training fees that should have been collected and the amount deposited. The shortage in the deposit amount was approximately \$3,445 for the period of October 1, 2005 through March 31, 2007. Sufficient supporting documentation such as check copies, receipt carbons for payment received from attendants and lists of class attendants, was not maintained but instead had to be created by the Training Division when we requested the information. In order for an audit trail to exist, these items must be maintained.

Recommendation to Finding 6

We recommend that the JCC Training Division follow the City's Standard Operating Procedures for Cash and maintain appropriate supporting documentation. As stated in our recommendation to Internal Control Weakness 3 above, we recommend that JCC create revenue specific directives. The directives should not conflict with the City's Standard Operating Procedures for Cash Receipts. The new directives should serve to enhance the City's procedures and should specify all revenue and the steps required to prepare the funds for deposit. Adhering to these specific directives will provide for a satisfactory audit trail.

Auditee Response to Finding 6

JCC revised and updated its "Handling of Cash Receipts" policy to be consistent with the City's Standard Operating Procedure for Cash Receipts. In addition, the Training Department is no longer providing training classes that charge participant fees; therefore payments of any kind are no longer collected.

Finding 7 *Cost/Benefit of Charging a Training Fee*

One of the main revenue-generating classes currently offered by the JCC's Training Division is a CPR class. Such a training class is not directly tied to the core mission of the JCC and is already offered by several other providers outside of the City, such as the American Red Cross. Additionally, after the vendor who JCC contracts with to provide the CPR class is paid, JCC only nets \$5 per person. It is questionable whether or not this net profit of \$5 per person is even sufficient to cover the cost of JCC staff, utilities and any other costs associated with offering the class on the weekend or other off-hours. Finally, this fee amount, as well as other fees charged by JCC, was never formally approved by the JCC Board or City Council. Chapter 51 of the Municipal Code does not specifically address the creation or modification of fees for service.

Recommendation to Finding 7

We recommend a review be performed by JCC to determine whether JCC should conduct such a class and whether the cost/benefit of the fee amount proves to be advantageous to JCC. JCC

should also consult with the Office of the General Counsel to determine what level of approval is required to implement a new fee for services.

Auditee Response to Finding 7

Following our review of a cost benefit analysis of the training revenue, we accept the Council Auditor’s recommendation. Therefore the Training Department is no longer providing training classes that charge participant fees, and payments of any kind are no longer collected.

OVERALL ISSUES

Finding 8 *Core Government Function*

According to Section 51.204(c)(1) of the Municipal Code, the Brewer Center has a duty to serve children from low-income families. Based on numbers provided by the Brewer Center and JCC (see chart below), the number of full-pay children consistently exceeded the number of children who received subsidized childcare. However, due to poor record keeping by the Brewer Center we have not been able to determine, with certainty, that the numbers below are accurate.

Month	Subsidized Children	Full Pay Children	% Full Pay
October 05	27	45	62%
November 05	26	43	62%
December 05	30	46	61%
January 06	35	47	57%
February 06	31	46	60%
March 06	32	47	60%
April 06	29	47	62%
May 06	28	45	62%
June 06	28	38	58%
July 06	31	40	56%
August 06	37	50	57%
September 06	31	49	61%
October 06	27	50	65%
November 06	29	48	62%
December 06	32	47	60%
January 2007	29	49	63%
February 2007	33	48	59%
March 2007	33	50	60%

Child care services are not a core function of City government. The intent of this facility was for it to be a research based facility that serves the low income individuals in the surrounding neighborhoods. Based on the numbers above, most of the children attending the Brewer Center were not eligible for a child care subsidy.

Recommendation to Finding 8

We recommend that the City determine whether the operation of a childcare facility is the best use of taxpayers' dollars. In addition, JCC should evaluate the Brewer Center's performance against other childcare facilities to determine if its services are unique and whether the research benefits originally anticipated have been achieved by the Brewer Center. Finally, we recommend that JCC perform a review of the acceptance and eligibility process for children at the Brewer Center to ensure that the facility is meeting its goals and the needs of serving low income children in the community.

Auditee Response to Finding 8

When the idea of the Don Brewer Center was originally conceived, it was intended to be a research laboratory and training center for best practices in early childhood learning. An operating child care facility was the most appropriate way to create a venue to accomplish these goals. However, through the work of the Jacksonville Early Literacy Partnership, other early learning centers have achieved the same level of excellence found at the Brewer Center, providing many more venues for research and training, and eliminating the need for the city to operate its own center. Therefore, the Mayor's office announced that the Don Brewer Center will close its doors on August 14, 2008.

Finding 9 *Establishing Legislation for Don Brewer Center*

The legislation that established the Don Brewer Center (Chapter 51, Part 2 of the Municipal Code) contains language that conflicts with JCC's original legislation contained in Chapter 51, Part 1. Chapter 51, Part 2 creates a separate Executive Director and Board of Directors for just the Brewer Center. The creation of a second layer of authority has created confusion over who is ultimately responsible for overseeing JCC's operations as a whole.

In January 2006, an Organizational Review Project Team, conducted as a collaborative effort with the Administration and the Council Auditor's Office, concluded that for the Don Brewer Center, "an executive and legal review is needed to clarify the business and reporting regulations as established by ordinance". Their recommendation was that a "legal opinion should be obtained to interpret and determine these relationships based on current ordinance". To date, it does not appear that any recommendations have come forth to better clarify the intentions of Chapter 51, Part 2.

Recommendation to Finding 9

We agree that a review by the Office of the General Counsel must be made of legislation that established the Don Brewer Center to ensure that the best possible model is in place to serve the low-income children of Jacksonville. The finding from such a review should be subsequently presented to the Administration and the City Council for action.

Auditee Response to Finding 9

The creation of this "public private partnership" for early learning was something new to all involved, leading to some challenging issues in governance and operations. Given the changes

*in the early learning field described in the previous **Response to Recommendations to Finding 8**, these issues will be resolved with the closing of the Don Brewer Center on August 14, 2008.*

Internal Control Weakness 4 *Conflict of Interest*

The Chairman of the non-profit Don Brewer Foundation is also the Chairman for the Early Learning Coalition (ELC). The ELC is the agency that allocates funding from the State to participants in the VPK program. The ELC's checks were made payable to the Brewer Center, rather than City of Jacksonville, thus allowing these funds to be deposited into the private Brewer Foundation account. Even if in appearance only, this is a conflict of interest given that the same person oversees the distribution, monitoring and ultimate receipt of these funds.

Recommendation to Internal Control Weakness 4

We recommend that the JCC consult with the Office of the General Counsel to rewrite Municipal Code Section 51 Part 2 so that control over the Don Brewer Center can be restored to the City and ambiguities can be clarified.

Auditee Response to Internal Control Weakness 4

No part of the VPK funding is still being paid to the Don Brewer Foundation.

We appreciate the assistance and cooperation we received from the Jacksonville Children's Commission throughout the course of this audit.

Respectfully submitted,

Kirk A. Sherman, CPA
Council Auditor

Audit Performed by:

Kim Taylor, CPA
Sonia Carroll

May 30, 2008

Kirk Sherman, Council Auditor
City of Jacksonville
117 West Duval Street
Jacksonville, FL 32202

Dear Mr. Sherman,

The following document contains the responses to your draft audit, dated May 2, 2008. These responses have been reviewed by the Board Chairman and the Finance Committee Chairman of the Jacksonville Children's Commission.

Please contact me at 630-6425 if you need further information or clarification.

Sincerely,

Linda M. Lanier
Executive Director

Cc: Michael Munz, Board Chairman
Paul Saffell, Finance Committee Chairman

RESPONSE TO AUDIT

Response to Recommendations to Finding 1

JCC concurs. The following have been implemented to address this finding:

1. JCC's "Incoming Mail Distribution" procedure has been revised to assign the opening of all mail to the JCC receptionist, who lists the department, all revenue received, the amounts and the payor. When the mail is picked up by each department's assigned "mail clerk," the amount collected is compared to the original list and both parties sign the log to verify its acceptance.
2. JCC has revised the "Handling of Cash Receipts" policy to be consistent with the City's Standard Operating Procedures for Cash Receipts. Additionally, the procedure has been revised to include a step where the department handling cash reconciles the receipts back to the amount that has been collected and turned over to the Finance Division. JCC divisions outside of Finance will no longer handle cash receipts.
3. Currently, no checks are issued to JCC under any other name than the City of Jacksonville or the Tax Collector. In addition, we have been advised that the Don Brewer Center will no longer operate as an early learning center effective August 14, 2008.
4. JCC has revised the check handling policy to align with the City's Cash Procedures which require that deposits are made the same day as they are received or the next day within 24 hours. All checks are date stamped in order to determine the timeliness of all deposits.
5. Deposits from training fees were incorrectly posted to the Child Services Trust Fund. This issue was immediately addressed as soon as it was noticed by the audit team last summer. Since that time all training fees have been posted to the correct subfund. In addition, the Training Department will no longer provide training classes that charge participant fees; therefore payments of any kind will no longer be collected.
6. JCC has adopted the City's Standard Operating Procedures for Cash Receipts, and reconciliations are being made of every deposit. Additionally, the procedure has been revised to ensure that all deposits are being reconciled to the accounting system.
7. As of September 7, 2007, there are no longer any non-city employees working at the Don Brewer Center.
8. All personnel who handle cash have received appropriate training and have signed the City's Cash Receipts Security Agreement.

Response to Recommendation to Finding 2

As of September 11, 2007 there were no longer any non-city employees at the Don Brewer Center.

Response to Internal Control Weakness 1

JCC's "Incoming Mail Distribution" procedure has been revised to assign the opening of the mail to the JCC receptionist, who lists the department, all revenue received, the amounts and the payor. When the mail is picked up by each department's assigned "mail clerk," the amount collected is compared to the original list and both parties sign the log to verify its acceptance.

Response to Internal Control Weakness 2

JCC will purchase a new safe. However, in order to maintain adequate separation of functions and to provide coverage for the cash handling function during staff absences, JCC feels it is necessary for at least two staff members to have the combination to the safe, along with the Finance Director for purposes of changing the combination in the event of turnover.

Additionally, with the closing of the Don Brewer Center and the elimination of fee-based trainings, JCC no will no longer have significant amounts of cash or valuables stored in the safe.

Response to Internal Control Weakness 3

JCC has developed a spreadsheet for ensuring all sources of revenue are identified. This spreadsheet identifies the sources of all non-general fund revenue and the details of where these funds should be posted upon receipt. This spreadsheet has been made a part of the desk manual kept by the Accountant who handles receivables. In addition, JCC is in the process of developing a formal revenue manual.

Response to Recommendation to Finding 3

Steps have been taken to assure that all monies, including VPK funds for the operation of the Don Brewer Center are deposited into the appropriate city accounts and that appropriate procedures are followed in getting such monies appropriated. In addition, we have been advised that effective August 14, 2008, the Don Brewer Center will no longer operate as an early learning center so there will be no fees or revenue beyond that time.

Response to Recommendation to Finding 4

Last fall the Don Brewer Center staff sent letters to families with outstanding balances and updated its policies to reflect the City's cash collection policy. While attempts are being made to collect delinquent fees and appropriate systems have been put in place (Procure Accounts software) to track payments, it is unlikely that all of the historic delinquencies will be collected. The Director of the Brewer Center will make further

attempts to enforce collection of overdue accounts, and will consult with the Office of the General Counsel regarding the best course of action to ensure collection or the resolution of the issue. In addition, we have been advised that effective August 14, 2008, the Don Brewer Center will no longer operate as an early learning center so there will be no fees or revenue beyond that time.

Response to Recommendation to Finding 5

While attempts are being made to collect delinquent fees and appropriate systems have been put in place (Procure Accounts software) to track payments, it is unlikely that all of the historic delinquencies will be collected. The Director of the Brewer Center will make further attempts to enforce collection of overdue accounts, and will consult with the Office of the General Counsel regarding the best course of action to ensure collection or resolution of the issue. In addition, we have been advised that effective August 14, 2008, the Don Brewer Center will no longer operate as an early learning center so there will be no fees or revenue beyond that time.

Response to Recommendation to Finding 6

JCC revised and updated its “Handling of Cash Receipts” policy to be consistent with the City’s Standard Operating Procedure for Cash Receipts. In addition, the Training Department is no longer providing training classes that charge participant fees; therefore payments of any kind are no longer collected.

Response to Recommendation to Finding 7

Following our review of a cost benefit analysis of the training revenue, we accept the Council Auditor’s recommendation. Therefore the Training Department is no longer providing training classes that charge participant fees, and payments of any kind are no longer collected.

Response to Recommendation to Finding 8

When the idea of the Don Brewer Center was originally conceived, it was intended to be a research laboratory and training center for best practices in early childhood learning. An operating child care facility was the most appropriate way to create a venue to accomplish these goals. However, through the work of the Jacksonville Early Literacy Partnership, other early learning centers have achieved the same level of excellence found at the Brewer Center, providing many more venues for research and training, and eliminating the need for the city to operate its own center. Therefore, the Mayor’s office announced that the Don Brewer Center will close its doors on August 14, 2008.

Response to Recommendation to Finding 9

The creation of this “public private partnership” for early learning was something new to all involved, leading to some challenging issues in governance and operations. Given the changes in the early learning field described in the previous **Response to Recommendations to Finding 8**, these issues will be resolved with the closing of the Don Brewer Center on August 14, 2008.

Response to Internal Control Weakness 4

No part of the VPK funding is still being paid to the Don Brewer Foundation.