



**State of Florida
Department of Children and Families**

Ron DeSantis
Governor

Shevaun L. Harris
Secretary

August 22, 2023

Mike Watkins, Chief Executive Officer
Big Bend Community Based Care
525 N. Martin Luther King Jr. Blvd.
Tallahassee, FL 32301

RE: BJ102 - FY 2023-2024, Notice of Forensic Audit Findings and Corrective Action Plan Request

Dear Mr. Watkins,

Carr Riggs, & Ingram (CRI), LLC. was engaged by the Department to perform a forensic audit concerning the financial records of Big Bend Community Based Care, Inc. (BBCBC), based on findings identified by the Office of the Inspector General in an audit of *Contractor Related Parties*. The records reviewed were for a time period of July 1, 2019, through June 30, 2021, and included interviews with key Big Bend CBC and department personnel. A summary of the findings is contained below, please see the attached document for the full report:

- **Noncompliance with Competitive Procurement Requirements for Non-Related Entities**
Big Bend CBC generally does not appear to release new solicitations for certain existing vendors when the contract term (including renewals) ends. Within the sampled contract selection, Big Bend CBC appears to be operating under contracts above the Simplified Acquisition threshold of \$250,000 where no competitive solicitation documentation has been provided and, in some cases, the contract period has concluded, and the contract is being perpetually renewed. It was unclear whether sampled contracts were appropriately procured due to the lack of supporting documentation provided. Thus, these contracts were potentially not procured in compliance with federal/state procurement laws, rules, regulations, etc. including, but not limited to, 2 CFR Part 200.320.
- **Noncompliance with Competitive Procurement Requirements for Related Entities**
Big Bend CBC did not engage in a competitive procurement process for its related party contract with NWF Partnership. A waiver of the competitive procurement requirement was obtained from the Department for the management and administrative services contract with NWF Partnership for the fiscal year beginning July 1, 2018, and any subsequent renewals. Big Bend CBC entered into a new contract with NWF Partnership for management and administrative services for the fiscal year beginning July 1, 2019, and did not obtain a waiver from competitive procurement requirements from the Department. Thus, Big Bend CBC is not in compliance with federal/state procurement laws, rules, regulations, etc. including, but not limited to, 2 CFR Part 200.318/319/320.
- **Improper Contracting for Related Party Contracts**
Big Bend CBC produced a contract for management and administrative services with NWF Partnership for the fiscal year beginning July 1, 2020, with an effective date of April 1, 2018.

Big Bend CBC had entered into a new Contract with NWF Partnership for management and administrative services for the Fiscal year beginning July 1, 2019, with an effective date of July 1, 2019. The contract for services provided beginning July 1, 2020, does not reference the more recent contract effective for the fiscal year beginning July 1, 2019, include language as a contract amendment or contract renewal.

- **Possible Overbilling Related to NWF Partnership Paycheck Protection Program Loan Forgiveness**

NWF Partnership has credited/reduced its management fees/salary allocations to Big Bend CBC in the 2021 fiscal year to account for the PPP funds that covered certain NWF Partnership payroll. These PPP loan proceeds were received in 2020 and were subsequently forgiven in 2021. The methodology applied to calculate the credit/reduction in the management fees/salary allocations to Big Bend CBC by NWF Partnership does not appear to include all employees included within the applicable payroll periods covered by the forgiveness and does not appear to agree to the methodology used when allocating payroll costs to Big Bend CBC under its management and administration contract. We were unable to determine the size of the discrepancy impacting the amount credited to the Department's contract.

- **Board Approval of Department Deficit Budgets**

Big Bend CBC's Management and its Board of Directors knowingly prepared and approved annual budgets for Department funds that exceeded Department approved expenditures.

- **Consideration of Integrated Health Funds as Intellectual Property and/or Program Income**

Big Bend CBC's ownership interest in Integrated Health appears to have arisen directly due to Big Bend CBC's contract with the Department and may be considered as intellectual property (Contract Section 14) or program income (2 CFR 80.120). As the ownership interests arose outside of the review period and other contracts were in effect, CRI was not provided with all relevant contracts, documents, minutes, etc. related to the generation of the ownership interests in Integrated Health. As such, the ownership interests and related generated revenue/distributions may be considered as arising from the intellectual property and/or program income directly related to performance under the Contract for which Big Bend CBC was fully compensated.

- **Model of Contracted Management and Administration Appears Unnecessary**

The current model of NWF Partnership providing contracted management and administrative services appears unnecessary. Circumstances outside of the control of Big Bend CBC resulted in the inability for the Organization to implement the underlying purpose of establishing a related party organization to provide management and administrative and shared operational services. Without apparent benefit to Big Bend CBC, the complexity of the related party relationship, related party contracts, related party transactions, etc. also appear unnecessary and potentially obscure the transactions and underlying costs including excessive compensation.

- **Allocated Officer Compensation in Excess of Mandatory Caps**

Big Bend CBC's allocated officer base salaries are in excess of the respective salary caps established by HHS and the State when applying the applicable allocation percentages consistent with the Consolidated Appropriations Act, Uniform Guidance and other federal cost principles. Under the HHS salary cap established by the Consolidated Appropriations Act, Big Bend CBC charged unallowable salary costs totaling \$252,202 during the review period. It is unclear whether all or a portion of these unallowable salary costs were charged to federal funds due to the lack of segregation of state/federal funds within Big Bend CBC's books. Under Florida Statute 409.992(3) in conjunction with the general requirements of

Uniform Guidance, Big Bend CBC may have allocated approximately \$263,444 in unallowable administrative compensation during the review period. As the State limitation applies to all of the Contract (state and federal pass-through) funds, the unallowable administrative compensation is in part duplicative of the HHS unallowable salary cost allocations.

A Corrective Action Plan (CAP) is required to address these deficiencies. This CAP must include immediate remedies to address the findings of the forensic audit. Big Bend CBC's response is due within 10 business days of this issuance notice. The Department will require the submission of documentation to evidence satisfactory progress and completion of the CAP. In response to the audit, the following actions must be taken by Big Bend CBC:

- **Noncompliance with Competitive Procurement Requirements for Non-Related Entities**
Action: Big Bend CBC must competitively procure all non-related contracts that were not competitively procured that are above the simplified acquisition threshold of \$250,000, within 60 days (release solicitation) of notice.
- **Noncompliance with Competitive Procurement Requirements for Related Entities**
Action: Big Bend CBC must competitively procure all related party contracts that were not competitively procured, regardless of the contract amount, within 60 days (release solicitation) of notice.
- **Improper Contracting for Related Party Contracts**
Action: Big Bend CBC must competitively procure all related party contracts that were not competitively procured, regardless of the contract amount, within 60 days (release solicitation) of notice.
- **Possible Overbilling Related to Paycheck Protection Program (PPP) Loan Forgiveness**
Action: Big Bend CBC must provide the Department with repayment of contract funds used for expenses covered by PPP loan forgiveness within 30 days of notice.
- **Board Approval of Department Deficit Budgets**
Action: Big Bend CBC's Board of Directors must certify budget approved does not exceed revenues for DCF approval.
- **Consideration of Integrated Health Funds as Intellectual Property and/or Program Income**
Action: Big Bend CBC's annual spending plan must include CBC IH distributions as additional revenue for the budget. This will require documentation of CBC-IH distributions received as program income.
- **Model of Contracted Management and Administration Appears Unnecessary**
Action: To improve transparency, it is recommended that Big Bend CBC eliminate contracts with related parties for management and administrative functions of the CBC.
- **Allocated Officer Compensation in Excess of Mandatory Caps**
Action: Big Bend CBC must come into compliance with Federal and State laws immediately.

Big Bend CBCs failure to comply with the timely development and implementation of a satisfactory CAP may result in increasing penalties, including but not limited to, contract termination.

If you have any questions regarding the content of this letter, please contact your assigned Contract Manager, Lisa Carden, via email at Lisa.Carden@myflfamilies.com.

Sincerely,

A handwritten signature in black ink, appearing to read 'Kathryn Williams'.

Kathryn Williams
Assistant Secretary, Office of Child & Family Well-Being

CC: Casey Penn, Deputy Secretary
Daniel May, Deputy Assistant Secretary
Ralph Silverstein, Chief of Contracts
Walter Sachs, Community Director



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August 21, 2023

Mr. Barney Ray
Director of Revenue Management and Partner Compliance
Office of the Assistant Secretary for Administration
Florida Department of Children and Families
2415 North Monroe Street, Suite 400
Tallahassee, FL 32303

Re: Forensic Examination of Big Bend Community Based Care, Inc.

Dear Mr. Ray:

Our firm was engaged to perform an inquiry concerning the financial records of Big Bend Community Based Care, Inc. dba Northwest Florida Health Network, which is a community-based care lead agency contracted by the Florida Department of Children and Families. This inquiry was predicated upon findings identified by the Office of the Chief Inspector General. Attached is Carr, Riggs & Ingram, LLC's Forensic Examination Report detailing the procedures performed and the resulting findings.

We have performed this engagement in accordance with the Statement on Standards for Forensic Services No. 1 as promulgated by the American Institute of Certified Public Accountants (AICPA) and the Code of Professional Standards of the Association of Certified Fraud Examiners (ACFE). While our work involved analysis of accounting records, our engagement did not constitute an audit in accordance with generally accepted auditing standards, an examination of internal controls, or any other attestation or review service in accordance with standards established by the AICPA. Had other procedures been performed, other matters may have come to our attention that may have affected the findings reported herein.

This report is intended solely for the use of the Florida Department of Children and Families and should not be used for any other purpose without prior permission from CRI. We have no obligation, but reserve the right, to update this report for information that comes to our attention after the date of this report.

Sincerely,

Carr, Riggs & Ingram, LLC

Carr, Riggs & Ingram, LLC
Certified Public Accountants



Big Bend Community Based Care, Inc.

**Forensic Examination Report and
Supplementary Information**

August 21, 2023

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Executive Summary

Carr, Riggs & Ingram, LLC (CRI) was engaged to perform an inquiry concerning the financial records of certain community-based care lead agencies contracted by the Florida Department of Children and Families (Department or DCF). This specific inquiry concerned the financial records of Big Bend Community Based Care, Inc. dba Northwest Florida Health Network (Big Bend CBC). This inquiry was based upon findings identified by the Office of the Chief Inspector General.

CRI performed certain procedures on Big Bend CBC's books and records for July 1, 2019 through June 30, 2021. These procedures included, but were not limited to, interviews with key Big Bend CBC personnel, interviews with key Department personnel, analysis of financial records, analysis of related party transactions and examination of compensation payments. Summaries of the major findings, based on the investigative procedures performed, are listed below.

- **Noncompliance with Competitive Procurement Requirements for Non-Related Entities**
Based on sample selections, Big Bend CBC entered into six contracts above the organization's procurement threshold of \$150,000 for subrecipient services where no competitive solicitation was conducted or where documentation of competitive solicitation could not be provided in accordance with the organization's document retention requirements within its procurement policies. Thus, these contracts were not procured in compliance with federal and state procurement laws, rules, regulations, etc. including, but not limited to, 2 CFR Part 200.320. The costs associated with these contracts may be considered unallowable expenditures. Refer to Finding 4.
- **Noncompliance with Competitive Procurement Requirements for Related Entities**
Big Bend CBC did not engage in a competitive procurement process for its related party contract with NWF Partnership for Better Communities, Inc. (NWF Partnership). No competitive procurement waivers were obtained from the Department for fiscal years 2019-2020 and 2020-2021 contracts. Thus, Big Bend CBC did not comply with its policies and procedures as well as federal and state procurement laws, rules, regulations, etc. including, but not limited to, 2 CFR Part 200.318/319/320 for its related party contracts. The costs associated with these contracts may be considered unallowable expenditures. Refer to Finding 4.
- **Unclear Related Party Contracts**
Big Bend CBC initially contracted with NWF Partnership for management and administrative services in fiscal year 2018-2019 with an initial effective date of April 1, 2018. An apparent new contract for fiscal year 2019-2020 was executed with an effective date of July 1, 2019. For fiscal year 2020-2021, a separate contract was provided by Big Bend CBC that had an effective date of April 1, 2018, which was the initial contract date. No reference was made to the initial contract or the fiscal year 2019-2020 contract, and there were no amendments to the contracts. It is unclear why Big Bend CBC initiated an apparent third contract with an effective date that was over two years earlier. As such, these contracts and associated costs do not appear at arm's length and may be considered unallowable expenditures. Refer to Finding 4.

Big Bend Community Based Care, Inc. Forensic Examination Report

- **Overbilling Related to Paycheck Protection Program (PPP) Loan Forgiveness**

NWF Partnership received a PPP loan that was utilized for payroll costs allocated to Big Bend CBC. While NWF Partnership provided a reduction in the payroll costs charged to the Contract, the methodology applied to calculate the reduction in the management fees/salary allocations to Big Bend CBC does not appear to agree to the methodology used when allocating payroll costs to Big Bend CBC under its management and administration contract. Thus, Big Bend CBC overbilled the Department by approximately \$117,424.51. Big Bend CBC did not comply with Office of Management and Budget, M 20-26, Contract Section 3 and Contract Section 22. Refer to Finding 4.
- **Budgeted Deficits for Contract Funds Approved by Board of Directors**

Big Bend CBC's Management and its Board of Directors knowingly approved annual internal budgets for Department funds that exceeded Department approved expenditures. Thus, Big Bend CBC planned to expend more than Department allocated funding, which has in part led to funding deficits. Refer to Finding 5.
- **Contracted Management and Administration Appears Unnecessary**

The model of NWF Partnership providing contracted management and administrative services to Big Bend CBC appears unnecessary due to the inability for the organization to reduce overhead and administrative costs by spreading those costs over multiple organizations. Without apparent benefit to Big Bend CBC, the complexity of the related party relationship, related party contracts, related party transactions, etc. also appear unnecessary and potentially obscure the transactions and underlying costs including executive compensation. Refer to Finding 6.
- **Potential Consideration of Integrated Health Funds as Contract Related Funds**

Big Bend CBC's ownership interests in Integrated Health appear to have arisen directly due to the Contract and may be considered as intellectual property (Contract Section 14) and/or program income (2 CFR 80.120). As the ownership interests arose outside of the review period and other contracts were in effect, CRI was not provided with all relevant contracts, documents, minutes, etc. related to the generation of the ownership interests in Integrated Health. As such, the ownership interests and related generated revenue/distributions may be considered intellectual property and/or program income directly related to performance under the Contract. Refer to Finding 6.
- **Allocated Officer Compensation in Excess of Mandatory Caps**

Big Bend CBC's allocated officer base salaries are in excess of the respective salary caps established by HHS and the State. Big Bend CBC charged estimated unallowable salary costs totaling \$252,202 related to the HHS salary cap and approximately \$263,444 related to Florida Statute 409.992(3) in conjunction with the general requirements of Uniform Guidance. The unallowable administrative compensation is in part duplicative of the HHS unallowable salary cost allocations. Refer to Finding 7.

Big Bend Community Based Care, Inc. Forensic Examination Report

Our investigative procedures and findings were limited in respect to transactions involving payroll, contract and procurement records, as well as Contract monthly expenditure reports and OCA summary and detail reports involving Big Bend CBC. Documentation regarding these transactions and reports was requested by CRI, but Big Bend CBC did not provide this documentation by the Department's deadline to complete this engagement. Based upon the investigative procedures performed and the corresponding findings, Big Bend CBC had significant related party transactions, primarily with NWF Partnership. The volume and frequency of related party transactions were consistent during the review period. It does not appear the related party structure for Big Bend CBC directly increased costs, but the existence of the related party relationship does not appear to add value or create cost savings for Big Bend CBC or the Contract with the Department. The related party relationship also adds complexity and reduces transparency.

Executive management received \$218,496 in additional compensation, which was substantially accrued in prior years outside of our review period. Based on the available information, it appears that the Board of Directors/Management approved of increased compensation for executive management when the funds were not available. It appears that the funds did not become available to pay these compensation increases until approximately 22 months after the compensation increases were approved.

The Department should consider further investigating matters related to Big Bend CBC and its related companies' property purchases and transfers, which primarily arose outside of the review period. It appears that these properties are effectively being purchased with Department funds and several properties were transferred from Big Bend CBC to its related parties with no consideration. The Department's contracts are effectively being utilized as guarantees on the mortgages held by these related parties.

The Department should also consider further investigating to determine whether the Integrated Health revenues/distributions are Contract related, subject to federal and state requirements and offset Contract funds. The procedures performed by CRI and the resulting findings are discussed in greater detail within the Forensic Examination Report. This executive summary is not intended to stand alone without the additional context included within the Forensic Examination Report.

Background

The Florida Department of Children and Families (the Department or DCF) was created by Florida Statutes to “work in partnership with local communities to protect the vulnerable, promote strong and economically self-sufficient families, and advance personal and family recovery and resiliency.”¹ The Department “shall deliver services by contract through private providers.”²

In or around 2011, the Florida Legislature initiated a comprehensive redesign of Florida’s child welfare system.³ This initiative resulted in community-based care, which “combines the outsourcing of foster care and related services to competent service agencies with an increased local community ownership.”⁴ The Department initiates a competitive process through which qualified community-based care organizations serve as lead agencies for foster care and related services.⁵ In fiscal year 2019-2020, the Department contracted with 18 lead community-based care agencies to provide these services to Florida’s various counties/regional areas with the total contract awards in excess of \$919 million.⁶

Big Bend Community Based Care, Inc. dba Northwest Florida Health Network (Big Bend CBC) was established in 2002 and has functioned as the lead agency for the eight counties within DCF District 2B since 2003.⁷ In 2005, Big Bend CBC took over as the lead agency for the six counties within DCF District 2A.⁸ In or around July 2011, the Department entered into its current contract with Big Bend CBC to provide foster care and related services to the 12 counties within Florida Judicial Circuits 2 and 14.⁹ The contract award for fiscal year 2019-2020 was \$38,660,324.¹⁰

In or around June 2022, the Department accepted proposals for forensic accounting services related to certain community-based care lead agencies that were contracted with the Department. Areas of concern included administrative costs, intercompany transactions and related party transactions. CRI was subsequently engaged to provide the requested forensic accounting services on Big Bend CBC as well as other lead agencies.

Scope

Our investigation was for the period beginning July 1, 2019 through June 30, 2021 (review period). Our work was limited to those specific areas identified by the Florida Department of Children and Families. Had additional documents been provided to CRI or additional individuals interviewed, additional information may have been discovered that could impact the findings in this report.

¹ Florida Statutes 2019, Title IV, 20.19(1)(a).

² Florida Statutes 2019, Title IV, 20.19(1)(c).

³ <https://www.myflfamilies.com/services/child-family/child-and-family-well-being/community-based-care> (accessed April 26, 2023)

⁴ Ibid.

⁵ Ibid.

⁶ CBC Lead Agency Contract Amounts FY 19-20.

⁷ <https://nwfhealth.org/about-us/who-we-are/> (accessed August 8, 2023)

⁸ Ibid.

⁹ Ibid.

¹⁰ CBC Lead Agency Contract Amounts FY 19-20.

Certain documentation requested by CRI was not provided by the Department's deadline to complete the engagement. This documentation included, but is not necessarily limited to, procurement documentation (i.e., invoices, solicitation documentation and monitoring reports), and financial records (i.e., payroll records, monthly expense reports, OCA reports, etc.) for Big Bend CBC. Due to the amount of financial transactions and activities within Big Bend CBC as well as the amount of program activities within Big Bend CBC, this information was deemed necessary to complete the investigative procedures.

As discussed in subsequent sections of this report, these documents had been requested during the course of our investigation, and deadlines to submit this information were provided to the respective entities. It is possible that additional findings and/or areas of noncompliance may be identified upon reviewing these documents.

Approach

Our engagement was conducted in accordance with the Statement on Standards for Forensic Services No. 1 (SSFS), applicable professional standards promulgated by the American Institute of Certified Public Accountants (AICPA) and the Code of Professional Standards of the Association of Certified Fraud Examiners (ACFE). The AICPA's SSFS does not specifically require or promote the use of certain methodologies, techniques, etc. for forensic engagements. This is due to the fact that no single standard can be extensive enough to consider all of the potential methodologies, techniques, etc. that could be applied to every forensic engagement.

Rather, this statement implements general standards that should be followed during a forensic engagement. These standards include that an AICPA member should have the professional competence to perform the engagement and exercise due professional care during the performance of the engagement. These standards were followed during the course of our engagement.

As indicated by the SSFS, "forensic accounting services generally involve the application of specialized knowledge and investigative skills by a member to collect, analyze, and evaluate certain evidential matter and to interpret and communicate findings." Due to the nature of the concerns involved, CRI was required by professional standards to conduct this engagement under SSFS. It should not be construed that attest standards (i.e., audit related engagements under the professional standards) would be more applicable to the subject engagement or yield a different/more reliable result. It should be noted that auditors conducting financial statement audits consider fraud, specifically as to whether it would result in a material misstatement of the financial statements.¹¹ It is an organization's management that is responsible for the design, implementation of programs and controls to prevent, deter and detect fraud.¹² The SSFS requires that practitioners "obtain sufficient relevant data to afford a reasonable basis for conclusions or recommendations." CRI obtained such sufficient relevant data to support the basis for its conclusions and recommendations.

¹¹ AU Section 316, *Consideration of Fraud in a Financial Statement Audit*.

¹² *Ibid.*

Big Bend Community Based Care, Inc. Forensic Examination Report

We confirm that the authors and other professional staff involved in preparing this report acted independently and objectively. The fees for this engagement were based on professional time expended. Our fees were not contingent upon the final results, conclusions or resolutions.

Using the data provided to us, we performed the procedures delineated below. We also applied various commonly used forensic data mining techniques to the provided data to identify trends, patterns, unallowable costs and findings in the data provided. These techniques and the identified trends/patterns/unallowable costs/findings are outlined below.

Expert Qualifications

Carr, Riggs & Ingram, LLC (CRI) is a regional certified public accounting and consulting firm with roots going back to 1972. Currently ranked among the top 25 public accounting firms in the United States, CRI is the South's largest regional firm. The CRI forensic team provides a spectrum of forensic and litigation services ranging from prevention to detection in response to fraud. The CRI forensic team includes members who have received forensic accounting designations from the most widely recognized forensic accounting associations. These designations include Certified Public Accountant, Certified Fraud Examiner and Certified in Financial Forensics.

Brent Sparkman, CPA, CFF, CITP

Brent Sparkman has over 27 years of experience in public accounting for non-profit and for-profit accounting, auditing and consulting services. Mr. Sparkman specializes in providing forensic and litigation support services involving white-collar crime, civil litigation and other related consulting services. Mr. Sparkman speaks regularly on leadership, professional coaching as well as various technical matters.

Mr. Sparkman is a Certified Public Accountant, which is the premier designation in the accounting industry. The Certified Public Accountant license is regarded as a symbol that an accountant has mastered the vital elements of the accounting profession and is a high standard that is globally recognized as an assurance of skill, dedication and quality. Mr. Sparkman is also Certified in Financial Forensics. This forensic credential requires that the holders be certified public accountants and demonstrate considerable expertise in forensic accounting through their knowledge, skills and experience. A summary of Mr. Sparkman's résumé and qualifications are included in Appendix A of this report.

Ben Kincaid, CPA, CFE, CVA, CFF

Ben Kincaid has over 11 years of experience in public accounting and in providing a variety of forensic accounting services. These forensic accounting services include litigation support, financial fraud investigations, business valuations, lost profit calculations, etc. Mr. Kincaid has served as a consultant for several state, county and other local law enforcement agencies/governments and has served on the Florida Institute of Certified Public Accountant's Valuation, Forensic Accounting and Litigation Committee.

Additionally, Mr. Kincaid is a Certified Public Accountant, which is the premier designation in the accounting industry. The Certified Public Accountant license is regarded as a symbol that an accountant has mastered the vital elements of the accounting profession and is a high standard that

Big Bend Community Based Care, Inc. Forensic Examination Report

is globally recognized as an assurance of skill, dedication and quality. Mr. Kincaid has also received the Certified Fraud Examiner and Certified in Financial Forensics designations. These forensic accountant designations are considered to be the most valuable forensic certifications. Holders of these forensic accountant designations are required to demonstrate a high level of knowledge and competence within the field of forensic accounting. Mr. Kincaid is also a Certified Valuation Analyst, which is the most widely recognized business valuation credential. A summary of Mr. Kincaid's résumé and qualifications are included in Appendix A of this report.

Brian Manuel, CPA, CFE

Brian Manuel has over 15 years of experience in public accounting for non-profit, closely held businesses, and state and local governmental organizations. Mr. Manuel specializes in planning, supervising and conducting audits and forensic examinations for a variety of organizations. Mr. Manuel also serves as president of the Tallahassee chapter of the Association of Certified Fraud Examiners.

Mr. Manuel is a Certified Public Accountant, which is the premier designation in the accounting industry. The Certified Public Accountant license is regarded as a symbol that an accountant has mastered the vital elements of the accounting profession and is a high standard that is globally recognized as an assurance of skill, dedication and quality. Mr. Manuel has also received the Certified Fraud Examiner designation. This forensic accountant designation is considered to be one of the most valuable forensic certifications. Holders of this forensic accountant designation are required to demonstrate a high level of knowledge and competence within the field of forensic accounting. A summary of Mr. Manuel's résumé and qualifications are included in Appendix A of this report.

Summary of Procedures Performed

1. Reviewed the Big Bend Community Based Care, Inc.'s contract including any amendments with the Department.
2. Conducted interviews with the following key personnel within the Department to obtain an understanding of the community-based care lead agencies, the related contracts, operations, policies and procedures, etc.:
 - a. Barney Ray, Director of Revenue Management and Partner Compliance;
 - b. Annie Wang, Government Analyst;
 - c. Lisa Carden, Contract Manager;
 - d. James Taylor, Contracts Supervisor;
 - e. Simone Litus, Government Analyst II; and,
 - f. Walter Sachs, Family Well-Being Director, Northwest and Northeast Regions.
3. Conducted interviews with the following key personnel within Big Bend Community Based Care, Inc. and its related companies to obtain an understanding of its operations, books and records:¹³

¹³ For investigative purposes, CRI requested that these interviews be conducted alone. NWF Partnership requested the attendance of internal legal counsel, Michael Lee, for these interviews and Mr. Lee was present for each interview.

Big Bend Community Based Care, Inc. Forensic Examination Report

- a. Mike Watkins, Chief Executive Officer, NWF Partnership;
 - b. Rae Kerr, Chief Financial Officer, NWF Partnership;
 - c. Lori Gullledge, former Chief Financial Officer, NWF Partnership;
 - d. Amy Cliburn, Director of Finance and Accounting, NWF Partnership;
 - e. Jeremy Scanlon, Director of Contract Administration, NWF Partnership;
 - f. Ronald Picket, Board Vice President, Big Bend CBC; and,
 - g. Pauline Patrick, Board Treasurer, Big Bend CBC.
4. Reviewed general ledgers and financial records and identified any accounting irregularities that are not in compliance with federal and state laws, rules, regulations and policies.
 5. Analyzed budget reports, audited financial statements, Forms 990 and other representations and determined whether the period cost and accruals were fairly represented.
 6. Analyzed administrative costs, intercompany and related party transactions for allowability and proper disclosure/representations.
 7. Examined the allowability of compensation accruals and payments made to officers in comparison to federal requirements, state laws, rules and regulations, and Big Bend Community Based Care, Inc.'s policies and procedures.
 8. Reviewed invoices submitted by Big Bend Community Based Care, Inc. and determined whether the invoices were adjusted to reflect differences between actual expenditures and amounts advanced by the Department.
 9. Analyzed the Other Cost Accumulators (OCA) summary and detail reports and reconciled to the amount reported by OCA on the monthly actual expenditure report. Identified and resolved any differences.
 10. Reviewed monthly actual expenditure reports submitted by Big Bend Community Based Care, Inc. and reconciled to the general ledger. Identified and resolved any differences.
 11. Analyzed any deferred revenue (contract liabilities and refundable advances) to determine whether it represents funds received that have not been earned and whether it is properly maintained as a liability on the statement of financial position.

Source Documentation

We reviewed and relied upon the documentation listed in Appendix B of this report during our investigation. These documents included, but were not limited to, contracts, financial statements, general ledgers and payroll reports.

Finding 1

Contract Understanding

The Department entered into a five year contract, Contract BJ101 (Contract), with Big Bend CBC in or around June 2011. The Contract established Big Bend CBC as the provider or lead agency delivering a comprehensive array of family support, adoption, foster care and related services as defined in the relevant Florida Statutes. These services are to be provided to eligible children and families within the 18 counties contained within Florida Judicial Circuit 1, 2, and 14. The Contract has been amended 51 times through the most recent amendment effective as of September 29, 2021. The Contract amendments primarily related to increases in the contract amount available to Big Bend CBC. The Contract and associated amendments document the scope of work and services to be provided by Big Bend CBC, the deliverables due to the Department during contract performance, the payment methodology and other special provisions as defined within the Contract and its amendments.

The clients to be served under the Contract are eligible children and families who are in need of family support services, safety management services, independent living services, adoption services and post-adoption services. Under the provisions of the Contract, Big Bend CBC will work with the Department to identify current services provided, needed services not presently provided, gaps in services being provided and the causes of the gaps, and work with the Department to develop and provide services to the children and families to be served.

The original contract amount for the five year term was \$160.7 million. As of September 29, 2021, the contract amount was amended and increased to \$385.1 million, which is an increase of \$224.4 million. The Contract is a combination of an advanced fixed price, fixed payment and cost reimbursement contract comprised of federal sources and a grant of state funds. Costs paid under another contract/source are not eligible for payment under the Contract. Fixed contract payments are made on a monthly basis. To mitigate financial risks to eligible lead agencies, a Community-Based Care Risk Pool (Risk Pool) was established by Florida Statutes. Lead agencies may petition for relief from the Risk Pool should factors outside a lead agency's control cause costs to rise and may impede the lead agency's ability to provide the contracted services.¹⁴ Lead agencies may also receive "Back of the Bill" funding from the Florida Legislature.

Lead agencies, including Big Bend CBC, are required to be aware of and comply with all state and federal laws, rules and regulations related to the Contract. They must also maintain compliance with Title 2 Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements For Federal Awards*.

Finding 2

Understanding of the Department's Operations and Policies and Procedures

The interviews with key Department staff related to the Contract provided us with an understanding of the administration of the community-based care (CBC) contracts by the Department and how the Department interacts with Big Bend CBC including training, resource development, performance reviews, financial reviews and program monitoring. The interviews also provided us with an understanding of the primary individuals within Big Bend CBC that represent it in communications and submission of deliverables to the Department.

¹⁴ <https://www2.myflfamilies.com/service-programs/child-welfare/kids/publications/risk-pool-reports.shtml> (accessed April 26, 2023).

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The Department provided an overview of the BJ101 contract with Big Bend CBC. The Department also provided an overview of the Big Bend CBC operations. The Department indicated that Big Bend CBC is part of a group of related companies that includes Big Bend Community Based Care, Inc. dba Northwest Florida Health Network, Independence Village, LLC (Independence Village), NWF Partnership for Better Communities, Inc. (NWF Partnership), Jackson HSC, LLC, Leon HSC, LLC, and Washington HSC, LLC. The Department also noted two other entities, Community Based Care Integrated Health, LLC (Integrated Health) and CBC Casualty Insurance Limited (Casualty Insurance).

The Department's primary interaction with Big Bend CBC, relating to the Department's Contract, is during the monthly submission of the Contract invoice and Monthly Actual Expenditure Report. The Department reviews these monthly submissions and reconciles these documents to the Other Cost Accumulator (OCA) Summary and Detail Report, which contains the actual programmatic expenditures at the participant level managed within Florida Safe Families Network (FSFN). The Department also receives and reviews the program budget and cost allocation plan submitted by Big Bend CBC at the start of each fiscal year. At or around fiscal year-end, a final reconciliation of the administrative costs and actual expenditures incurred is performed by the Department. Annual desk reviews and periodic onsite monitoring every two to three years are performed by the Department based upon a risk assessment performed annually for all of the contracts managed by the Department.

The Office of the Chief Inspector General (OIG) issued a report dated June 30, 2021 (CIG Number: 2021-01-25-0017) regarding certain organizations' executive compensation. This review arose from the Florida Coalition Against Domestic Violence, Inc. using "funds from the Department of Children and Families to subsidize exorbitant executive leadership team compensation payouts." The Department of Children and Families Office of the Inspector General (DCF OIG) issued a report dated December 3, 2021 (Project: #A-1819DCF-043) titled "Assurance Report: Contractor Related Parties," which specifically focused on CBC lead agencies as "lead agencies have created management companies and other related parties," and "the purposes and functions of these related organizations are not clear and pose risks to the Department in fulfilling its mission." Big Bend CBC was identified within the OIG and DCF OIG reports as having related party relationships including with NWF Partnership, which provides contracted management and administrative services to Big Bend CBC.

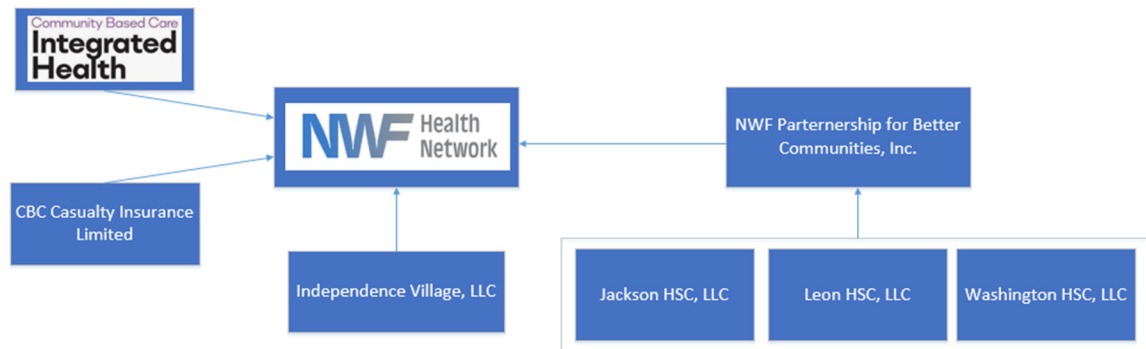
Finding 3

Understanding of Big Bend CBC and its Related Entities

The interviews provided us with an understanding of Big Bend CBC and its related party companies' books, records and policies and procedures. The interviews also provided us an understanding of how Big Bend CBC conducts the CBC programs within the Contract scope and how it operates within the related party companies. Big Bend CBC operates in coordination or through agreements with NWF Partnership, Integrated Health and Casualty Insurance.

NWF Partnership functions as the "administrative and management company" for Big Bend CBC including executive management. As such, Big Bend CBC pays a management fee to NWF Partnership under the terms of a management agreement. A graphical depiction of Big Bend CBC and its related party companies as well as Integrated Health and Casualty Insurance is presented below.

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Big Bend CBC and NWF Partnership are Florida not-for-profit corporations designated as 501(c)(3) organizations under the Internal Revenue Code. Independence Village, Jackson HSC, Leon HSC and Washington HSC are limited liability companies organized for exempt purposes under Section 501(c)(3). Integrated Health is a for-profit, Florida limited liability company, and Casualty Insurance is a limited liability company organized in the Cayman Islands. Big Bend CBC and its related party companies maintain their books and records within Abila MIP, a not-for-profit fund-based accounting software. The books and records of the related entities are separated and tracked by utilizing specific company codes, funds, cost centers, program codes, etc.

As non-profit organizations, Big Bend CBC and NWF Partnership do not have members, shareholders, etc. However, Big Bend CBC prepares consolidated audited financial statements that include its wholly owned subsidiary Independence Village and related party NWF Partnership and its respective wholly owned subsidiaries Jackson HSC, LLC, Leon HSC, LLC and Washington HSC, LLC. Note 1 of Big Bend CBC's audited financial statements states, "all entities are consolidated since [Big Bend CBC] has both an economic interest in and control of [Independence Village and NWF Partnership] through a majority voting interest in their governing boards." Integrated Health and Casualty Insurance are referred to by Big Bend CBC's audited financial statements as investments in equity securities of nonpublic entities.

The current structure of the Big Bend CBC and NWF Partnership arose in or around 2018. Previous to 2018, only Big Bend CBC and Independence Village were in operation. In a communication to the Department dated January 9, 2018 from Big Bend CBC, the stated purpose of NWF Partnership was to "provide administrative support services to affiliated not-for-profit organizations in the areas of Executive Management, Finance, Accounting, Human Resources, and Community Relations. The centralization of these functions allows overhead costs to be minimized resulting in more funding being available for direct program services to children and families in the Northwest Region."

Per discussion with Ms. Rae Kerr, Chief Financial Officer, for Big Bend CBC and its related party companies, the intention of utilizing NWF Partnership to reduce the overhead and management costs allocated to Big Bend CBC through broadening the organizations being managed had not been realized yet. Management stated that due to multiple factors including the impact of Hurricane Michael on the service area, the required takeover of a case management provider, and the subsequent COVID-19 pandemic, resources have not been available to pursue other management opportunities for NWF Partnership, which continues to provide services only to Big Bend CBC.

Understanding of Big Bend CBC

As previously indicated, Big Bend CBC serves as the lead agency for child welfare services in Florida Judicial Circuits 2 and 14, working to ensure the safety, permanency and well-being of children served by child welfare. The core programs provided by Big Bend CBC include, but may not be limited to, foster home licensing, diversion/family support services, out-of-home services (foster care), kinship services, youth services and adoption. Big Bend CBC additionally has a separate contract with the Department to serve as the Behavioral Health Managing Entity (ME) for the Northwest region which encompasses the 18 counties within Florida Judicial Circuits 1, 2, and 14, as well as Madison and Taylor Counties from Circuit 3. Big Bend CBC's ME contract with the Department and its associated expenditures were not within the scope of this report.

After the planning work is performed in conjunction with the Department that identifies the services needed by the applicable population, Big Bend CBC's management determines the scope of services to be provided to meet the identified needs and seeks out providers to deliver the identified services. The majority of the CBC programs administered by Big Bend CBC are delivered through third-party providers/subcontractors, who have contracted directly with Big Bend CBC. Once a provider has been identified and contracted, Big Bend CBC will monitor the delivery of the contracted services to ensure the services meet the requirements established in the Contract between the Department and Big Bend CBC as well as the policies established by Big Bend CBC.

Big Bend CBC's process to identify providers and vendors involves a formalized procurement process developed to comply with the Contract and applicable federal and state laws, regulations, etc. This procurement process includes multiple defined thresholds based on the size or type of services to be provided. The monitoring of sub-recipients/subcontractors providing services under executed client services contracts is also a required element of the administration of the Contract. The monitoring process approved by Big Bend CBC's management includes performance of a risk assessment for each individual contract and performance of monitoring activities at least once every three years based on the assessed risk category.

Related party services provided to Big Bend CBC by NWF Partnership include contracted management services and shared operational services including network, legal and information technology support. NWF Partnership also provides property management services to Big Bend CBC under the management and administrative services agreement. These related party services are discussed in further detail in Finding 6 of this report.

Understanding of Independence Village

Independence Village was organized to provide low-income housing to independent-living youth who have aged out of foster care, youth who have aged out of traditional foster care but do not meet the youth-aging-out-of-foster-care demographics, and young women who are pregnant or postpartum. Independence Village owns real estate that it uses to deliver its Independent Living and Road to Independence Program. The organization is a wholly owned subsidiary of Big Bend CBC.

Understanding of NWF Partnership and its Wholly Owned Subsidiaries

As previously indicated, NWF Partnership provides primarily management and administrative services, shared operational services and property management services to Big Bend CBC. NWF Partnership is also the parent of three entities, Jackson HSC, LLC, Leon HSC, LLC and Washington HSC, LLC. All three subsidiaries own real estate that is utilized by Big Bend CBC to deliver its contracted services and by third party entities that pay rent for use of the properties.

Understanding of Integrated Health

Integrated Health was organized to engage in the child welfare managed care business throughout Florida by managing the Medicaid services provided to children in Sunshine Health's Child Welfare Specialty Plan (the Plan). Integrated Health is partially owned by Big Bend CBC through a 2% ownership interest. Integrated Health has contracted with the majority of the CBCs within Florida to obtain care coordination and enrollment services for eligible participants to the Plan.

Understanding of Casualty Insurance

CBC Casualty Insurance Limited is a limited liability company organized in the Cayman Islands, whose purpose is to pay insurance liability claims that are not covered by a participating member's primary insurance carrier. Big Bend CBC has a 16.67% investment in Casualty Insurance. The remaining ownership interest is held equally among five other CBC organizations in Florida. Big Bend CBC made premium payments of \$152,087 to Casualty Insurance during the review period, and Casualty Insurance reported minimal net income.

Finding 4

Review of General Ledgers and Financial Records

We reviewed Big Bend CBC's general ledgers and sampled various financial records for the review period. As outlined in the following sections of this report, the financial records were analyzed for compliance with federal and state laws, rules, regulations and policies.

Overview of Contract Procurement

Big Bend CBC is required by the Contract to implement procurement policies and procedures. These policies and procedures are to be current and reviewed at least annually for compliance. Big Bend CBC's procurement policies and procedures were established by Big Bend CBC. Big Bend CBC reviews the procurement policies and procedures at the beginning of every fiscal year in accordance with the Contract.

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The procurement policies and procedures establish a protocol of procedures for selecting agencies and individuals to provide goods and services related to community based care, either directly to clients or to Big Bend CBC. The procurement policies and procedures reflect 2 Code of Federal Regulation (CFR) 200 as an applicable regulation under the policy.

The procurement policies and procedures define several allowable procurement methods including: micro-purchases for goods/services less than \$10,000 (\$3,500 for service provider subcontracting); small purchases for goods/services less than \$250,000 ¹⁵ (\$150,000 for service provider subcontracting); competitive proposals for contracts above \$250,000 (\$150,000 for service provider subcontracting); and, non-competitive proposals for the contracting of goods/services not feasible under the other identified procurement methods.

Non-competitive proposals for contracting of goods/services and exceptions to the approved procurement process are defined under the following categories: emergency purchases; single source purchases; funder authorizes an exemption to the competitive procurement; exempt purchases; and attempted competition with inadequate response.

For competitive proposals, the approved procurement policies and procedures note that the applicable organization's procurement file will at a minimum include the following:

- a. Basis for contractor selection;
- b. Justification for lack of competition when competitive bids or offers are not obtained;
- c. Basis for award cost or price;
- d. Subrecipient and Vendor Determination;
- e. If an individual, a determination memo of either an employee or independent contractor status; and,
- f. If an independent contractor, a completed W-9 form.

Additionally, the approved procurement policies and procedures note that the following items are recommended to be included in the procurement file when available:

- a. Documentation of all individuals involved in the process (writing solicitation, evaluating proposals and awarding contracts);
- b. Copy of the solicitation document;
- c. Documentation of all posting activities;

¹⁵ Big Bend CBC has two separate procurement policies that differentiate between procurement of goods and services and procurement of service provider subcontracting. The Board approved a policy change on December 13, 2018 for the procurement of goods and services that increased the micro-purchase threshold to \$10,000, small purchase threshold to \$250,000 and presented the Simplified Acquisition Threshold at \$250,000. The Board approved a policy change on December 13, 2018 for the service provider subcontracting that retained the micro purchase threshold to \$3,500, the small purchase threshold at \$150,000, stated the Simplified Acquisition Threshold was \$150,000. The Federal Acquisition Threshold established by the FAR increased to \$250,000 effective August 31, 2020, while some agencies and grantees had already begun using the increased threshold as of January 2018.

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- d. Record of all correspondence including letters of intent, official questions and answers and/or minutes of solicitation conference;
- e. Copies of bids/proposals/offers;
- f. Record of the evaluation/scoring;
- g. Copy of the notification of award; and,
- h. Basis for the contract price (cost/price analysis).

Based on the foregoing information, the procurement policies and procedures adopted by Big Bend CBC comply with provisions of 2 CFR Part 200. It also appears that Big Bend CBC recognizes the need to comply with applicable federal and state laws, rules, regulations, etc.

Contract Procurement for Non-Related Entities

A haphazard selection of seven non-related party sub-recipients and contractors receiving annual payments in excess of \$150,000 from Big Bend CBC was made to determine Big Bend CBC’s compliance with its procurement policies and procedures as well as federal and state laws, regulations, etc. As part of the sample selections, CRI requested the underlying contracts, cost price analyses, procurement records and documentation of management of the contracted activity related to the services received during the review period.

A summary of the sampled non-related parties and the corresponding results are presented in the below table.

Sampled Entities	Signed Contract	Invoices	Public Notice/ Solicitation	Budget/ Cost Price Analysis	Consideration of Multiple Applicants
Anchorage	X				
Boys Town	X				X
Deveroux	X				
DISC Village, Inc.	X	X	X	X	X
Twin Oaks	X				
Inspire Group, Inc.	X				
A Turning Point	X				

Management of Big Bend CBC indicated that several of the above-sampled entities had been providing services to Big Bend CBC for several years. As such, procurement for these services had not been performed during the review period for these entities. As identified in the above table, Big Bend CBC was unable to produce any invoice documentation for certain entities. CRI made follow-up requests for the invoice documentation; however, these invoices were not provided/made available by the Department’s deadline to complete this engagement.

No documentation or incomplete documentation was provided regarding public notice/solicitation, a budget/cost price analysis or consideration of multiple applicants for Anchorage Children’s Home, Inc., Boys Town North Florida, Inc., Deveroux Advanced Behavioral Health, Twin Oaks Juvenile Development, Inc., Inspire Group, Inc., and A Turning Point. Per review of the contracts provided, Boys Town North Florida, Inc., Inspire Group, Inc., and A Turning Point, are unit rate contracts, and the provider is not guaranteed a specific dollar amount per year. CRI made follow-up requests to

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Management for the public notice/solicitation, a budget/cost price analysis or consideration of multiple applicants; however, these documents were not provided/made available by the Department's deadline to complete this engagement. Due to the limitation on documentation provided, the procurement method utilized for these contracts is unclear.

Federal and state procurement laws, regulations, etc. require that the procurement threshold evaluation be based on the contract value not the annual estimated costs. In other words, a three year contract with an estimated annual cost of \$100,000 (contract value of \$300,000) would still be subject to the competitive solicitation requirements even though the annual cost was less than \$150,000 (\$250,000 for goods and services).

Based on the limitation of available documentation for consideration, it could not be determined if certain Big Bend CBC contracts are in compliance with federal and state procurement laws, regulations, etc. including, but not limited to, 2 CFR Part 200.320. The absence of required documentation over the procurement process for these contracts indicate Big Bend CBC is not in compliance with its own procurement and contracting policies.

Contract Procurement for Related Entities

2 CFR Part 200.319 requires that "all procurement transactions for the acquisition of property or services required under a Federal award must be conducted in a manner providing full and open competition consistent with the standards of this section and § 200.320." This CFR section specifically indicates that "organizational conflicts of interest" may be considered a restriction on competition. This CFR section also states "noncompetitive procurements can only be awarded in accordance with §200.320(c)." 2 CFR Part 200.320(c) states that a "noncompetitive procurement can only be awarded if one or more of the following [5] circumstances apply:"

- 1) "The acquisition of property or services, the aggregate dollar amount of which does not exceed the micro-purchase threshold...;
- 2) The item is available only from a single source;
- 3) The public exigency or emergency for the requirement will not permit a delay resulting from publicizing a competitive solicitation;
- 4) The Federal awarding agency or pass-through entity expressly authorizes a noncompetitive procurement in response to a written request from the non-Federal entity; or,
- 5) After solicitation of a number of sources, competition is determined inadequate."

As previously indicated, Big Bend CBC contracts with NWF Partnership for management services and shared operational including network, legal and information technology support. NWF Partnership also provides property management services to Big Bend CBC.

2 CFR Part 200.318 requires non-Federal entities with a parent, affiliate or subsidiary organization to maintain written standards of conduct covering organizational conflicts of interest. This CFR section further defines organizational conflicts of interest as follows: "because of relationship with a parent company, affiliate, or subsidiary organization, the non-Federal entity is unable or appears to be unable to be impartial in conducting a procurement action involving a related organization." Based on the foregoing information as well as applicable federal and state laws, regulations, etc., 2 CFR Part 200.318 and the organizational conflicts of interest apply to Big Bend CBC and NWF Partnership.

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Attachment 1 of the Department's Contract, section D9 *Related Party Transactions and Conflict of Interest* states, "the Lead Agency's Board of Directors shall establish uniform and consistent policies to address procurement requirements for any related party transactions which include, at a minimum, the prohibition of any conflicts of interest among the Lead Agency, its staff, its Board of Directors, and its subcontractors." Big Bend CBC's conflict of interest policy states that "Directors, officers, volunteers and employees should exercise the utmost good faith in all transactions touching upon their duties to the agency and its property and clients. In dealings with and on behalf of the agency they are held to a strict rule of honest and fair dealing between themselves and the agency." No express language regarding "related parties" was identified within Big Bend CBC's conflict of interest policy, contracting policy, or service provider subcontracting policy. In interviews with Management including Ms. Gulledge and Ms. Kerr, Management stated that there is not a difference between the procurement process for related and non-related entities. The procurement of related entity contracts is discussed in the following sections of this report.

Contract Procurement for Related Entities – NWF Partnership

As previously indicated, Big Bend CBC has contracted with NWF Partnership to provide management and administrative services and operations support services. These services include, but are not limited to, contracted management services and shared operational services including network, legal and information technology support. NWF Partnership also provides property management services to Big Bend CBC. NWF Partnership bills Big Bend CBC for shared direct expenses and an administrative services rate, which varied during the review period.

A waiver of the competitive procurement requirement for the management and administrative services contract with NWF Partnership was obtained from the Department on February 5, 2018, signed by Mr. Walter Sachs, Regional Managing Director, Northwest Region. The terms of the waiver include the limitation "for the current procurement and any subsequent renewals agreed to in the original agreement." Operating under the Department's waiver, Big Bend CBC entered into a contract with NWF Partnership with an effective date of April 1, 2018 for management and administrative services for the fiscal year beginning July 1, 2018.

Per Mr. Sachs, the approval of the procurement waiver provided to Big Bend CBC was based on the management structure of another CBC lead agency, Embrace Families Community Based Care, Inc. This management structure was referenced by Big Bend CBC in its request for a procurement waiver to the Department on January 9, 2018. Mr. Sachs indicated that at the time the Department could not locate any documentation approving/waiving the procurement process for the management structure implemented by Embrace Families Community Based Care, Inc. Mr. Sachs also indicated that the Department knew about the Embrace Families Community Based Care, Inc. management structure and effectively allowed the Embrace Families Community Based Care, Inc. management structure to be implemented. As such, the then current Department leadership approved Big Bend CBC's procurement waiver request due to the effective allowance of Embrace Families Community Based Care, Inc. management structure.

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On July 1, 2019, Big Bend CBC entered into a management and administrative services contract with NWF Partnership with an effective date of July 1, 2019.¹⁶ Within the July 1, 2019 contract, no reference was made to the prior contract effective April 1, 2018 that was entered into under the terms of the Department's waiver. Additionally there was no reference to the contract being an amendment or renewal of the contract entered into under the Department's waiver. CRI discussed the new management and administrative services contract with Mr. Jeremy Scanlon, Director of Contract Administration for NWF Partnership, who entered his role with the organization in February 2023. Mr. Scanlon stated that he had no direct knowledge of the process that would have been conducted to prepare the new July 1, 2019 management services contract or any other historical contract, other than review of the policies and procedures in place at that time. CRI requested documentation reflecting Big Bend CBC's compliance with its procurement policies and procedures including, but not limited to, solicitations, cost/price analysis, public notices, etc. for the new contract. No such documentation was provided, and Management stated Big Bend CBC had obtained a waiver from procurement requirements for the management and administrative contracted services with NWF Partnership. When asked about the new NWF Partnership management and administrative services contract and the procurement process for that contract, Mr. Watkins, Chief Executive Officer of Big Bend CBC, stated that the approval received from the Department was for the use of related party management services, and the authorization for those services was perpetual.

Mr. Michael Lee, Deputy General Counsel for NWF Partnership, stated in response to CRI's question regarding whether a new procurement waiver had been obtained/requested that "the July 1, 2019 agreement you reference below is a continual renewal of the same service, entity, and general terms and conditions as proved by Mr. Sachs. Please note, specifically, section 7e of the agreement and please further note that this language is consistent in all approvals of this matter. This section provides for the merger of all prior documents and agreements into the updated form and language of any current agreement provided or executed (assuming, of course, that it is not directly contradicted). Similarly included in each agreement is the same language regarding renewals which, succinctly, provides for the customary five year term and year to year renewals thereafter." It is important to note that Section 7.e. states that "this Agreement hereto constitutes the entire agreement of the Parties regarding the subject matter hereof. All prior agreements, statements or representations between the Parties and their agents and/or employees, whether written or oral, are expressly merged herein and if not contained in this Agreement shall be of no force or effect." Again, no specific reference of the prior agreements or indication that this contract was actually an amendment were included in the July 1, 2019 contract. As such, it appears that the July 1, 2019 contract was a new contract between Big Bend CBC and NWF Partnership.

As previously indicated, the February 5, 2018 procurement waiver was authorized by Mr. Sachs. Mr. Sachs stated that the waiver he signed related specifically to the procurement of the contract for management services and the resulting contract. Mr. Sachs indicated that the language within the

¹⁶ It should be noted that Big Bend CBC previously provided a contract between Big Bend CBC and NWF Partnership with an effective date as of April 1, 2018 and an attachment for rates effective July 1, 2019. This contract contained different terms/provisions and different signatories than the other contracts provided with an effective date as of April 1, 2018. Upon inquiry with Management, Management stated that this contract was not the correct version and subsequently provided the July 1, 2019 contract as the correct version.

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February 5, 2018 correspondence with Big Bend CBC was to only waive the procurement process for this individual contract being discussed at that time. Any new contract would either have to go through the organization's normal procurement process, or a new waiver from competitive procurement would need to be obtained. Mr. Sachs did not believe his authorization of the waiver was a perpetual approval of the related party management and administrative services.

CRI also inquired with the Department regarding whether the Department granted/approved any waivers to the competitive procurement process for Big Bend CBC subsequent to the procurement waiver provided on February 5, 2018. The Department was unable to locate any correspondence or documentation allowing Big Bend CBC to waive the competitive procurement beyond the procurement waiver provided on February 5, 2018. Management indicated that the Department and the respective board of directors are fully aware of and approved the related party transactions including, but not limited to, the management and administrative services contract between Big Bend CBC and NWF Partnership.

Although the Department has been aware of the related party contracts and approves the annual cost allocation plan, this "approval" does not meet the requirements of 2 CFR Part 200.318/319/ 320. As previously indicated, 2 CFR Part 200 provides for exceptions to the required competitive procurement process. The only potential applicable exceptions here relate to single source procurement and an *express* authorization from the Department for a noncompetitive procurement. The single source procurement and competitive procurement waiver would have to be completed for each new contract including the contract effective July 1, 2019. Based on the foregoing information, Big Bend CBC did not follow its own procurement policies and procedures related to its contract with NWF Partnership, and the procurement of this contract does not comply with the applicable federal and state laws, rules, regulations, etc. including, but not limited to, 2 CFR Part 200.318/319/320.

In addition to the management and administrative services provided to Big Bend CBC effective July 1, 2019, Management produced a contract for the fiscal year beginning July 1, 2020 with an effective date of April 1, 2018. Management could not provide an explanation for the reversion back to an April 1, 2018 contract effective date, including during our discussion with Mr. Scanlon, Director of Contract Administration. As previously notated, the terms/signatories varied between various contracts with an April 1, 2018 effective date. Based on the information provided and Management responses, it is unclear whether this contract was a reversion to the initial contract that was nullified by the July 1, 2019 contract or a new contract in entirety. Management has not provided a cost/price analysis related to these services, and Management has not provided documentation of an approved non-competitive procurement. Thus, these services also do not comply with the applicable federal and state laws, rules, regulations, etc. including, but not limited to, 2 CFR Part 200.318/319/320. During the review period, the amount of services provided by NWF Partnership not in compliance with the applicable federal and state laws, rules, regulations, etc. total \$8,643,265. Of this amount, the total amount charged to the Department's Contract was \$5,584,316 for the review period. The amounts noted represent total management and administrative fees, as well as operational support costs, property management costs and facilities costs charged.

Paycheck Protection Program Analysis – Big Bend CBC

On or around April 15, 2020, Big Bend CBC applied for a Paycheck Protection Program (PPP) loan under the rules/guidelines established by the U.S. Small Business Administration (SBA).¹⁷ Big Bend CBC was approved and issued a PPP loan totaling \$1,500,000 on May 5, 2020.¹⁸ On January 7, 2021, Big Bend CBC received forgiveness for the full PPP loan amount of \$1,500,000.¹⁹

The intended purpose of the PPP was to assist businesses and organizations in maintaining employment levels during the economic uncertainty caused by the Novel Coronavirus (COVID-19), which was characterized as a pandemic by the World Health Organization in March 2020.²⁰ Loans issued under the PPP were designed to be forgiven if the loan recipient utilized the funds for payroll and other specific costs as well as met certain employee retention criteria.²¹

The majority of Big Bend CBC's activities are funded fully or in part by federal, state and/or local grants. The primary source of revenue for Big Bend CBC are its Contracts with the Department, which represents 98.8% (61.6% ME and 37.2% CBC) of its \$119 million reported revenue per Big Bend CBC's 2021 audited financial statements. Big Bend CBC's Contract with the Department is in part based on cost reimbursement, wherein Big Bend CBC must incur allowable costs to be allocated to the Contract and submitted for reimbursement. Costs offset by other funding sources are not allowed to be allocated to the Contract.²²

After Big Bend CBC received notice of full PPP loan forgiveness in January 2021, Big Bend CBC allocated \$1,500,000 (or 100%) of the PPP loan forgiveness related to the Department's Contract. As such, Big Bend CBC reclassified \$1,500,000 in Department-related payroll costs to a non-Department OCA. This reclassification allowed Big Bend CBC to separately track these funds and avoid using the Department's Contract funds to reimburse costs already offset/paid for by the PPP loan forgiveness.

Paycheck Protection Program Analysis – NWF Partnership

As previously indicated, NWF Partnership provides management, administrative and other services to Big Bend CBC. NWF Partnership charges fees for these services to Big Bend CBC by billing an administrative/management percentage fee for its indirect costs. NWF Partnership also bills Big Bend CBC cost reimbursement for shared direct operating expenses. For the administrative/management percentage fee, Big Bend CBC annually reports the proposed administrative rate to the Department for approval as part of its annual cost allocation plan. At the end of each fiscal year, NWF Partnership prepares a reconciliation of actual costs incurred in delivering the administrative/management services to Big Bend CBC to document that the management fee charged did not exceed actual cost incurred. If actual costs are lower than the charged management fee, the Contract is credited for the difference.

¹⁷ Big Bend CBC Submission of Loan Application.

¹⁸ Big Bend CBC Ameris Bank/SBA Loan Note.

¹⁹ Big Bend CBC Ameris Bank/SBA Notice of PPP Forgiveness Payment.

²⁰ <https://www.sba.gov/funding-programs/loans/covid-19-relief-options/paycheck-protection-program/first-draw-ppp-loan> (accessed April 26, 2023)

²¹ Ibid.

²² Contract BJ101, Section 3.

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Both the management fee and the shared direct operating expenses billed to Big Bend CBC by NWF Partnership include payroll related expenses. These payroll expenses relate to personnel employed directly by NWF Partnership. These NWF Partnership employees may have time that is directly and/or indirectly allocable to Big Bend CBC, and the applicable costs are allocated/billed to Big Bend CBC accordingly.

On or around April 15, 2020, NWF Partnership applied for a PPP loan under the rules/guidelines established by the SBA.²³ NWF Partnership was approved and issued a PPP loan of \$439,400 on May 5, 2020.²⁴ On January 7, 2021, NWF Partnership received forgiveness for the full loan amount of \$439,400.²⁵ CRI requested and analyzed NWF Partnership's PPP loan application. Within the data provided by Management, CRI noted that NWF Partnership's full payroll costs were utilized to maximize NWF Partnership's PPP loan. As such, NWF Partnership payroll costs that were directly and/or indirectly allocable/billed to Big Bend CBC were included in NWF Partnership's PPP loan application.

After NWF Partnership received notice of full PPP loan forgiveness in January 2021, NWF Partnership prepared an allocation schedule that appeared to apply 100% of the PPP loan forgiveness to Big Bend CBC in the month of December 2020. Mr. Lee provided a memo prepared by Management that stated "for NWF Partnership, [the PPP funds] were used to reduce costs charged for Operational Shared Costs charged to [Big Bend CBC]." Due to Management's use of various cost pools and allocation of costs between NWF Partnership and Big Bend CBC, it was not readily apparent that all of the PPP loan forgiveness was allocated to Big Bend CBC through Operational Shared Costs. CRI calculated the average monthly Operational Shared Cost allocation based on the unaffected eleven months of fiscal year 2020-2021. The calculated monthly average was \$108,119.80 and when compared to the actual Operational Shared Cost recorded in December of \$(90,518.06), the estimated PPP credit applied to Big Bend CBC was \$198,637.86. CRI noted per review of the detail general ledger and journal entry reports provided by Management that \$70,486.57 of the PPP loan forgiveness amount was directly assigned to the Department's Contract within Big Bend CBC, resulting in a \$368,916.43 to be allocated through Operational Shared Costs. The difference between the \$368,916.43 allocable loan forgiveness and the estimated \$198,637.86 PPP credit applied to Big Bend CBC results in an estimated allocation deficit of \$170,278.57, which should be allocated to Big Bend CBC. Based on Management's annual cost allocation schedule, CRI calculated \$117,424.51 (or 69.96%) of the allocation deficit should be allocated to the Department's Contract.²⁶

As previously indicated, costs offset by other funding sources are not allowed to be allocated to the Contract. Section 22 of the Contract also states that the lead agency "shall return to the Department any overpayments due to unearned funds or funds disallowed that were disbursed" to the lead agency as well as any interest. On June 18, 2020, the Office of Management and Budget issued a memorandum regarding the extension of administrative relief for recipients and applicants of federal financial assistance directly impacted by the Novel Coronavirus (COVID-19) due to loss of

²³ NWF Partnership Submission of Loan Application.

²⁴ NWF Partnership Ameris Bank/SBA Loan Note.

²⁵ NWF Partnership Ameris Bank/SBA Notice of PPP Forgiveness Payment.

²⁶ It should be noted that CRI did not analyze any credits/reductions or lack of credits/reductions to the ME contract with the Department.

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operations.²⁷ This memorandum/federal guidance stated that “payroll costs paid with the Paycheck Protection Program (PPP) loans or any other Federal CARES Act programs must not be also charged to current Federal awards as it would result in the Federal government paying for the same expenditures twice.” Since Big Bend CBC receives significant pass-through federal funding via the Contract, Management did not comply with federal guidance on the allocation of NWF Partnership’s PPP loan nor with the Contract. As such, Big Bend CBC overbilled the Department.

Finding 5

Analysis of Financial Reports – Budgets

The Contract requires Big Bend CBC to prepare and submit an annual budget to the Department. The budgeted amount for each fiscal year must equal the contracted funds awarded to Big Bend CBC. If Contract amendments revise the contracted funds awarded to Big Bend CBC for the fiscal year, Big Bend CBC must submit a revised budget to the Department. The revised budget must also equal the revised contracted funds awarded to Big Bend CBC.

During the review period, two fiscal year budgets were prepared by Management and approved by Big Bend CBC’s Board of Directors. Big Bend CBC also submitted two fiscal year budgets for the Contract in conjunction with the annual cost allocation plan (CAP) to the Department. These budgets were obtained from Management and compared to documentation maintained by the Department. Both versions of the budgets reviewed contained sufficient detail to segregate the Contract activity from other programs conducted by the CBC. As illustrated in the below table, the comparison of these budgets for each fiscal year resulted in the identification of lower budgeted Contract expenditures reported to the Department compared to the budgeted expenditures contained within Big Bend CBC’s Board approved budget.

July 1, 2019 - June 30, 2020 Fiscal Year			
	Total Budgeted Revenue	Total Budgeted Expense	Budgeted Surplus/(Deficit)
CBC Board Approved Budget for Department Contract	\$ 38,660,324	\$ 40,960,132	\$ (2,299,808)
Contract Budget Submitted to the Department	38,660,324	38,660,324	-
Variance between Approved Budget and Department Budget	\$ -	\$ 2,299,808	\$ (2,299,808)

July 1, 2020 - June 30, 2021 Fiscal Year			
	Total Budgeted Revenue	Total Budgeted Expense	Budgeted Surplus/(Deficit)
CBC Board Approved Budget for Department Contract	\$ 40,437,610	\$ 42,535,879	\$ (2,098,269)
Contract Budget Submitted to the Department	40,437,610	40,437,610	-
Variance between Approved Budget and Department Budget	\$ -	\$ 2,098,269	\$ (2,098,269)

As identified in the above table, in both fiscal years, both the budgeted revenue and expenditures approved by the Big Bend CBC Board exceeded the budgeted revenue and expenditures submitted to the Department. CRI inquired further regarding these variances to confirm our understanding. In response, Ms. Gulledge stated that the annual budgets submitted to the Department at the start of the contract year are required for the Department’s processes, but the budgets submitted to the

²⁷ Office of Management and Budget, M 20-26.

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Department will often not match the actual adopted budget for the Contract. Ms. Gullledge noted that the Department is aware of the differences due to the quarterly budget projections submitted by Big Bend CBC, which document the actual budgeted cost of the Contract activity. Mr. Watkins stated there is no requirement for the annual budgets submitted to the Department to balance, and that only at the end of the full Contract term, not annually, do the expenditures of administering the program need to match the Contract funding. This statement does not align with the Contract provisions. Mr. Watkins also noted that the Department has changed this policy for the 2023-2024 fiscal year where the Department is requiring all CBCs to submit a balanced budget including a reserve for the current contract year.

For fiscal year 2019-2020, Management budgeted a deficit of \$2,299,808 based on the Department's Contract revenue for the year. Management additionally budgeted for additional revenue totaling \$1,138,265 which was comprised of Contract carryforward funds and various unrestricted funding sources, resulting in a reduction of the budgeted deficit to \$1,161,543.

As previously indicated, CBC lead agencies are required to submit a budget based on contracted funding levels for the applicable fiscal years. Additional funding opportunities for CBC lead agencies may exist via risk pool funds or "Back of the Bill" funding. The risk pool funding should only be utilized for factors that may arise outside a lead agency's control and cause costs to rise that may impede the lead agency's ability to provide the contracted services. By Big Bend CBC budgeting more in Department funding and expenditures than the contracted funds, Big Bend CBC is essentially planning on spending more than the funds allocated to it. This leads to funding deficits caused by the lead agency's failure to properly budget and plan revenues/expenditures within its contracted funds. This also presents questions regarding the lead agency's management and administration of the Contract within the constraints of the contracted funding as well as its representations regarding the causes of deficits within the organization.

Analysis of Financial Reports – Audited Financial Statements

During the review period, external audits were completed annually for Big Bend CBC by James Moore & Co., P.L. The audited financial statements of Big Bend CBC are prepared on a consolidated basis and include the operations of NWF Partnership and each entity's wholly owned subsidiaries.

In the presentation of the audited financial statements of Big Bend CBC, the Contract with the Department is included within two separate disclosures, neither of which present current financial information in a format that represents the Contract-specific revenues or expenses for the respective fiscal year. The information disclosed related to the Contract with the Department include reference to the Contract as a "significant amount of funding directly from the State of Florida, Department of Children and Families. A significant reduction in the level of this funding, if this were to occur, could have an adverse effect on the Organization's programs and activities." Separately, the notes to the audited financial statements refer to the agreements with the State of Florida, Department of Children and Families as a "concentration of credit risk."

Although the audited financial statements of Big Bend CBC contain the consolidated balances and activities of NWF Partnership and each entity's wholly owned subsidiaries, there is no disclosure of intercompany or related party activities including receipts, expenditures, receivables and payables

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between the Big Bend CBC and its related entities. A summary of the intercompany receipts and expenditures (rounded to the nearest thousand) directly related to Big Bend CBC as provided within consolidating schedules provided by management are presented below:

Related Entity Activity	2020		2021	
	Receipt	Expenditure	Receipt	Expenditure
NWF Partnership				
Management agreement	\$ -	\$ 1,691,000	\$ -	\$ 1,904,000
Shared operation expenses	-	1,222,000	-	1,099,000
Property Management	-	304,000	-	287,000
Facilities	-	606,000	-	790,000
Direct costs	-	396,000	-	344,000
Total NWF Partnership	\$ -	\$ 4,220,000	\$ -	\$ 4,424,000
Integrated Health				
Care coordination contract - Medicaid enrollment	\$ 151,000	\$ -	\$ 324,000	\$ -
Distribution of equity	20,000	-	70,000	-
Total Integrated Health	\$ 171,000	\$ -	\$ 394,000	\$ -
Total Related Party Activities with Big Bend CBC	\$ 171,000	\$ 4,220,000	\$ 394,000	\$ 4,424,000

Analysis of Financial Reports – Forms 990

Big Bend CBC's Forms 990, Return of Organization Exempt From Income Tax, were analyzed for the review period. The Forms 990 were prepared by James Moore & Co., P.L., which also prepares the Forms 990 for the related entities (NWF Partnership and Independence Village). James Moore & Co., P.L. also performs the annual financial statement audit and applicable single audit for Big Bend CBC. The Forms 990 filed for Big Bend CBC contain only the operating activities of Big Bend CBC, and no other entity activities are consolidated within the returns. Financial balances including assets, liabilities, revenues and expenses reconcile to the respective trial balance consolidated within the audited financial statements for each of the fiscal years within the review period.

Schedule J, Part II of each respective Form 990 filed for the review period delineate the base, bonus & incentive, retirement, and nontaxable compensation/benefits for officers, directors, trustees, key employees and highest compensated employees. For Big Bend CBC, these employees include the Chief Executive Officer, Chief Operating Officer, Chief Financial Officer and Chief Legal Officer (General Counsel). The Chief Executive Officer and other executive officers are compensated directly from related organizations, specifically, NWF Partnership.

Executive officer compensation reported by NWF Partnership correspond to the reported compensation within Big Bend CBC's Forms 990 for the review period. The executive officer compensation was also compared to the underlying payroll records. No discrepancies were noted.

Form 990, Schedule R is utilized to report information/transactions between related organizations. Big Bend CBC properly reported NWF Partnership and Independence Village as related tax-exempt organizations on its Forms 990, Schedule R filed during the review period.

Finding 6

Analysis of Administrative, Intercompany and Related Company Costs

As previously indicated, Big Bend CBC operates in coordination with its related party companies NWF Partnership and Integrated Health. NWF Partnership is generally understood to function as the management entity, while Big Bend CBC functions as the lead agency/provider for the Department's Contract, and Integrated Health oversees the Medicaid managed care services.

While Big Bend CBC and NWF Partnership have individual policies and procedures, the two entities share employees and various direct and indirect costs, which are incurred primarily to support the delivery of contracted services by Big Bend CBC. These shared costs include, but are not limited to, rent, utilities, executive management, finance, legal, accounting, information technology, network support, etc. Due to the nature of the shared costs, NWF Partnership generally functions as the payer for these shared costs. The shared costs are then allocated primarily to Big Bend CBC and its respective programs via intercompany due to/from accounts, and Big Bend CBC then repays NWF Partnership for its respective shared cost allocations. The executive management team consisting of the CEO, CFO and COO are the same for both Big Bend CBC and NWF Partnership, and they are employed and paid by NWF Partnership. Their compensation costs are then allocated/charged to Big Bend CBC.

Analysis of Related Companies – Establishment of Related Companies

As previously described, NWF Partnership and its wholly owned subsidiaries arose in or around 2018. Prior to 2018, only one organization (e.g., Big Bend CBC) was in operation. In their January 2018 communications to the Department, Management explained the purpose of the change in structure, stating that "the centralization of these functions allows overhead costs to be minimized resulting in more funding being available for direct program services to children and families in the Northwest Region."

CRI inquired with Management regarding the purpose of the reorganization and the benefits of this structure. Members of Management indicated that the reorganization was intended to allow for the sharing of costs among Big Bend CBC and other non-profit entities, thereby reducing the administrative costs on Big Bend CBC and its Contract with the Department. Management also indicated that there were no laws, rules, regulations, etc. that prevented it from providing these services under one organization. In Big Bend CBC's request for waiver of competitive procurement and approval of the restructuring of management activities, Big Bend CBC Management identified the use of a similar structure used by Community Based Care of Central Florida and its Holding Company (currently operating as Embrace Families Community Based Care, Inc. and Embrace Families, Inc., respectively) since July 1, 2013.

CRI understands that the intention of the separation of management and administrative activities to NWF Partnership was to reduce overhead costs, as Big Bend CBC would receive management services along with other non-profit organizations, thereby allowing for management and administrative costs to be spread across multiple organizations. However, CRI noted that during the review period, Big Bend CBC was the only entity receiving contracted management and administrative services from NWF Partnership. In the analysis of payroll expense performed in Finding 4, *Paycheck Protection Program Analysis – NWF Partnership*, 95.88% of NWF Partnership's budgeted compensation was allocated to Big Bend CBC. The remaining 4.12% was allocated to the property management activity conducted within NWF Partnership.

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CRI inquired with Management as to the reason that management and administrative services were not being provided to other organizations, resulting in a reduced allocation of overhead costs applied to Big Bend CBC. Ms. Kerr indicated that NWF Partnership began delivering management and administrative services to Big Bend CBC on July 1, 2018; however, later that year, Big Bend CBC's service area was impacted by Hurricane Michael, putting a significant strain on resources within the area being served. Additionally, Management had been in discussion regarding providing services to another non-profit organization located in Leon County, Florida in early 2018, but no agreement was subsequently reached. Ms. Kerr also mentioned the impact of the COVID-19 Pandemic as being a continuing complicating factor in soliciting and obtaining management service contracts up to and through the review period.

While both Big Bend CBC and NWF Partnership have their own Boards of Directors, there is significant overlap of board members between the two organizations. For example, in fiscal year 2019-2020, all 13 board members for NWF Partnership also served as board members for Big Bend CBC, which had a total of 16 volunteer board members during the year as reported on the organization's annual Form 990 filing. In fiscal year 2020-2021, 1 of the 2 volunteer board members for NWF Partnership reported on the organization's Form 990 also served as a board member for Big Bend CBC, which had a total of 11 volunteer board members as reported on its annual Form 990 filing. CRI noted that only 2 volunteer (non-compensated) board members are listed on NWF Partnership's Form 990 for the 2020-2021 fiscal year; however, the organization's bylaws, adopted September 6, 2017, state "the Corporation shall always have at least three directors." CRI inquired of management as to whether one of the compensated members of management was considered to be a director of the organization. Mr. Watkins stated that no member of management or employee of either Big Bend CBC or NWF Partnership have voting rights. Mr. Watkins believed the listing of two volunteer board members on the Form 990 was due to the departure of a board member during the time the annual Form 990 was being prepared, but that board seat had subsequently been filled.

Board members of Big Bend CBC indicated that their roles were limited to a high-level overview/oversight of the organization's operations. This high-level oversight includes approving the annual budgets. Board members indicated that they do not review/approve the contracts within the organizations, as this role is delegated to Management. Board members also indicated that they do not consider whether or not NWF Partnership should be providing certain services versus a third-party entity; rather, the Board's focus is more on managing the financial impact of the delivery of services.

As aforementioned, Big Bend CBC consolidates its audited financial statements with NWF Partnership and the organizations' four wholly owned subsidiaries. Big Bend CBC's audited financial statements refer to Big Bend CBC as having "both an economic interest in and control of these [Independence Village and NWF Partnership] entities, through a majority voting interest in their governing Boards." Big Bend CBC's Forms 990, Schedule R also state that Big Bend CBC is the direct controlling entity for NWF Partnership along with Independence Village. Based on the foregoing information, Big Bend CBC effectively controls NWF Partnership, its three wholly owned subsidiaries and Independence Village. All of these entities including Big Bend CBC are effectively controlled by Management.²⁸

²⁸ As previously outlined, Management has stated that the Department has been aware of the structure of the Big

Analysis of Related Companies – NWF Partnership Activities

NWF Partnership has entered into an agreement with Big Bend CBC to provide management and administrative services. These services include the compensation costs of Big Bend CBC's executive officers along with other personnel to deliver the contracted services. The scope of the management and administrative service agreements generally include the following: executive management services, HR support services, finance support services, legal support services, management information systems and data management support, and network support.

NWF Partnership charges Big Bend CBC a management fee based on a percentage of the allowable expenses incurred. In fiscal year 2020-2021, this rate was 2.58% (2.24% in fiscal year 2019-2020). The rate is approved by the Department and submitted within the annual Cost Allocation Plan. At the end of each fiscal year, NWF Partnership prepares a reconciliation of actual costs incurred in delivering the administrative/management services to Big Bend CBC to document that the management fee charged did not exceed actual costs incurred. If actual costs are lower than the charged management fee, the Contract is credited for the difference in the following fiscal year.

Mr. Watkins stated that the Big Bend CBC Board of Directors approves the NWF Partnership management and administrative services agreement and approves the management and administrative services rate annually. Previously CRI interviewed both Ms. Pauline Patrick and Mr. Ronald Picket, Treasurer and Vice Chair of the Big Bend CBC Board, respectively, who both stated the Board has no involvement in approving contracts or agreements for Big Bend CBC. Specifically Mr. Picket could not recall a time where the Board had reviewed a specific contract; and when inquired about the related party contract for management and administrative services with NWF Partnership, he stated the Board has no involvement with the related party activity other than as a line item within the Budget. Both Ms. Patrick and Mr. Picket were aware of the management and administrative services contract with NWF Health and the administrative services rate, generally.

As delineated in Finding 4 of this report, the management agreement between NWF Partnership and Big Bend CBC was not competitively procured as required. Big Bend CBC obtained a waiver from competitive procurement for management and administrative services from the Department which was effective for the contract year beginning July 1, 2018 through the conclusion of any renewals defined within the original contract. Big Bend CBC entered into a new management and administrative services contract with NWF Partnership for fiscal year 2019-2020, but they did not obtain a new procurement waiver from the Department, and they did not conduct any market analysis to determine whether the rate/cost structure including the shared costs of the management agreements with NWF Partnership were comparable. Despite Management's assertion that the related party companies are treated no differently than third-party entities, these contracts and the associated contract terms used for the related parties do not align with the contracts and associated contract terms for third-party entities.

Bend CBC and NWF Partnership activities. In response to prior inspector general reports, Management stated that "to further mitigate any risk to the State of Florida Department of Children and Families, NWFPCB has changed the composition of its Board of Directors to include only one cross over member from the NWFHN board."

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The management fees charged to Big Bend CBC by NWF Partnership during the review period were compared to the management agreement and related supporting documentation. No exceptions were noted.

Big Bend CBC also receives operational, network, technology, legal and other supportive services from NWF Partnership. These activities directly relate to the delivery of services provided by Big Bend CBC under the Department's Contract. NWF Partnership also allocates indirect costs such as rent, utilities, other facility costs, etc. shared between the organizations. NWF Partnership primarily allocates these direct and indirect costs (including payroll) to Big Bend CBC based on the volume of transactions processed, square footage utilized, employees managed, etc. within Big Bend CBC.

Analysis of Related Companies - Jackson HSC, Leon HSC, and Washington HSC

The three wholly owned subsidiaries of NWF Partnership include Jackson HSC, LLC, Leon HSC, LLC and Washington HSC, LLC (NWF Subsidiaries). The NWF Subsidiaries were created over a three year period between 2017 and 2019.²⁹ The stated purpose of the NWF Subsidiaries is to operate in support of the charitable purposes of NWF Partnership within the meaning of IRC Section 501(c)(3). The NWF Subsidiaries are disregarded entities that hold real estate properties that are managed by NWF Partnership to support Big Bend CBC's activities and to provide value to the other agencies and providers within the network of organizations around Big Bend CBC. Mr. Watkins stated that the sole purpose of the NWF Subsidiaries is to limit and separate the liability each property may be exposed to. Each of the NWF Subsidiaries was created in preparation of the refinancing of real property held by Big Bend CBC. At the time of refinance, the ownership would transfer to the NWF Subsidiary. Mr. Watkins stated that the purpose of the properties owned by Big Bend CBC and the NWF Subsidiaries is to provide a stable working environment for Big Bend CBC and NWF Partnership employees and to promote positive interaction and coordination within the community of care managed by Big Bend CBC. NWF Partnership provides facilities management services for the management of the properties held within the NWF Subsidiaries. Similarly, NWF Partnership accumulates the operating and maintenance costs of maintaining the properties and allocates those costs to any third party tenants, Big Bend CBC and its programs based on utilization of a per-square-foot cost allocation.

All of the properties held by NWF Partnership or the NWF Subsidiaries were originally held within Big Bend CBC and were transferred into NWF Partnership or NWF Subsidiaries over time. When asked if any consideration was provided during the transfer of the properties, Mr. Watkins stated that there was no payment or other consideration for the property. Mr. Watkins noted the reason the transfer of properties was staggered was primarily due to the timing of refinancing the debt associated with the property. Mr. Watkins stated that the properties were transferred in conjunction with refinancing or other transaction to reduce the administrative costs with the property transfer including document stamp fees, title transfer, county filing costs, etc.

Mr. Watkins also stated that NWF Partnership intends to hold the properties indefinitely to support Big Bend CBC and the associated network of agencies. When asked how a theoretical sale of property resulting in net proceeds would take place, Mr. Watkins stated that the proceeds would remain within

²⁹ It should be noted that three additional limited liability companies (MLK HSC, LLC; Gadsden HSC, LLC; and, Wakulla HSC, LLC) were created subsequent to the review period.

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the NWF Partnership and that Big Bend CBC had no direct claim on the property or any proceeds from a potential sale. During the review of the mortgage documents on the property held, CRI identified Big Bend CBC as a guarantor of all of the outstanding mortgages. Mr. Watkins confirmed that all of the mortgages are guaranteed by Big Bend CBC and that the purchase price of all of the acquired properties were fully financed with first and if needed second mortgages. Second mortgages had been utilized for the down payment on the first mortgage. When asked if Big Bend CBC was compensated for assuming risk as a guarantor, Mr. Watkins stated that Big Bend CBC is being compensated as a secondary debtor where Big Bend CBC receives the benefits of access to stable and well-maintained property without directly assuming the mortgage liability. During discussions with Ms. Kerr, she noted that NWF Partnership and its wholly owned subsidiaries would likely not have been able to secure the mortgages on the properties without including Big Bend CBC as a guarantor.

Mr. Watkins stated that at no time were Department or Contract dollars used for the purchase of any property, and the payments by Big Bend CBC to NWF Partnership for facilities management and occupancy costs are all supported by the cost of depreciation, maintenance, utilities, etc. and are charged to all programs and third party entities on a per-square-foot fee basis. As previously indicated, 98.8% (61.6% ME and 37.2% CBC Contract) of Big Bend CBC's revenue is from the Department.

Based on property records provided by Management including promissory notes, closing documents, quit claim deeds, and the audited financial statements provided by Management, CRI performed a search of property records in Leon, Wakulla, Gadsden, Bay, Jackson, and Washington counties. CRI was able to identify property records for 14 properties purchased by Big Bend CBC that were sold/transferred to a related party. Big Bend CBC and its related companies have also purchased, held and transferred other properties including two properties that are still owned Big Bend CBC. The purchase and sales records above do not include property formerly held by Independence Village that was effectively destroyed due to Hurricane Michael and turned over to the local municipality.

For certain properties, Big Bend CBC was the property owner/mortgage holder for several years prior to the transfer to its related parties. It is likely that the values of these properties increased and/or the mortgages were reduced via principal payments during Big Bend CBC's ownership of these properties. As previously indicated, no consideration was provided to Big Bend CBC for the transfer of these properties. With limited exceptions, these properties were purchased and/or transferred outside of the review period.

The Department should consider further investigating matters relating to property purchase, management, and disposal to determine whether or not the real estate transactions or management impact the Department's Contract as the majority of funds used to effectively purchase these properties are derived from contracts with the Department. The Department's contracts are effectively utilized as the basis for Big Bend CBC being able to guarantee the mortgages on the properties held.

Analysis of Related Companies - Integrated Health Activities

Integrated Health has an agreement with Sunshine Health to help manage/coordinate the Medicaid services provided to eligible children within the Plan. Sunshine Health in turn is contracted with the Florida Agency for Health Care Administration to manage the Plan. Integrated Health's agreement with Sunshine Health is Integrated Health's sole source of revenue. The revenues are generated from managing/coordinating Medicaid services provided to children enrolled in the Plan. The primary sources of revenues are monthly capitation payments, which are per member per month fees. Integrated Health also receives certain variable consideration as provided under the agreement with Sunshine Health. The variable consideration is established for the purpose of sharing financial savings with Integrated Health for its assistance in helping Sunshine Health meet certain medical cost savings and quality goals.

Integrated Health represents 16 CBCs and is managed by Embrace Families, Inc.^{30,31} Integrated Health subcontracts the management/coordination of the Medicaid services provided with the various CBC lead agencies throughout the State. Each CBC lead agency provides these services in their respective geographical areas. If a CBC lead agency loses its CBC lead agency designation, Integrated Health is required by Sunshine Health to terminate the subcontract with the applicable CBC.³² Integrated Health is also required to make "every good faith effort to contract with the new designated lead agency CBC in the impacted area."³³ The CBC lead agencies are compensated in part by a per member per month fee for the eligible children enrolled in the Plan for their respective geographical regions.

Integrated Health has three classes of membership units (i.e., Class A, Class B and Class C). Each participating CBC lead agency owns Class C membership units in Integrated Health. These ownership interests generally range between 1% and 4% for each CBC lead agency. Big Bend CBC held a 2% ownership interest in Integrated Health in fiscal years 2019-2020 and 2020-2021. The Class C membership appoints one of the five Board Managers.

As a participating CBC lead agency, Big Bend CBC receives revenue from Integrated Health. For the years ended June 30, 2020 and 2021, Big Bend CBC received \$151,481 and \$323,913 in revenue from Integrated Health. As a member of Integrated Health, Big Bend CBC also received \$20,000 and \$70,000 in distributions from Integrated Health during the years ended June 30, 2020 and 2021, respectively. Per Management and the Board members interviewed, the management fees and distributions related to Integrated Health represent a significant source of unrestricted funds to be utilized by Big Bend CBC (i.e., non-State, non-Contract, etc. related funds).

As outlined above, Big Bend CBC and the other CBC lead agencies have considered the funds generated via Integrated Health to be unrestricted/non-Contract funds. Per Exhibit II-C of the Child Welfare Specialty Plan dated February 1, 2018 as well as Management, the children that are eligible to participate in the Plan are the same children already serviced/being serviced by the CBC lead agencies under their respective contracts with the Department. Sunshine Health's contract with the

³⁰ Vendor Agreement between Integrated Health and Sunshine Health dated December 12, 2016.

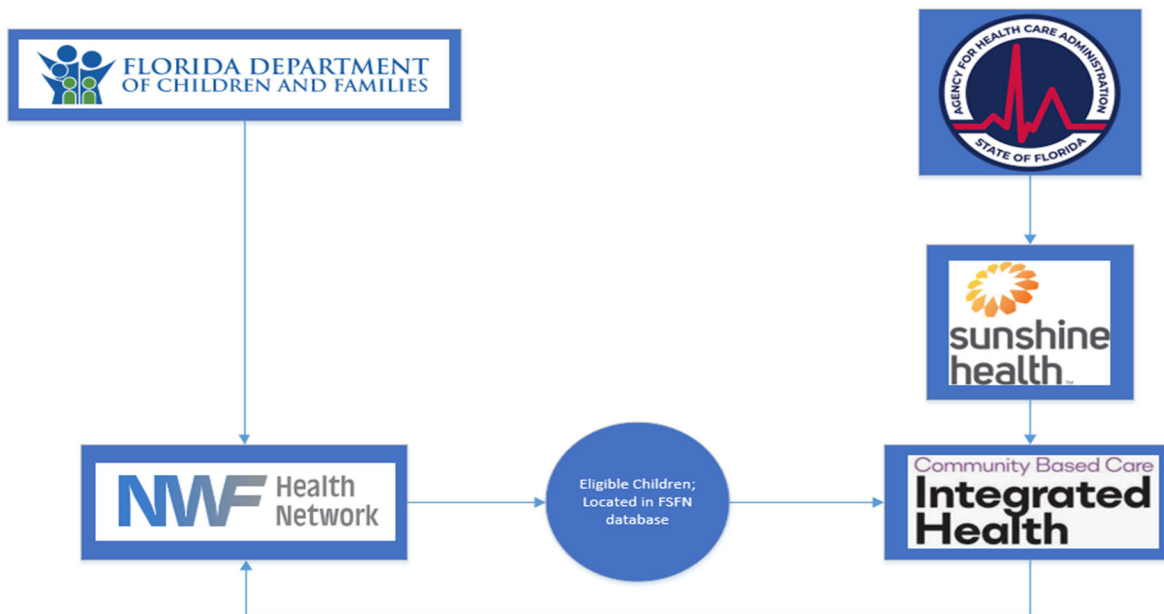
³¹ The number of CBCs represented may change depending on the time period referenced.

³² Vendor Agreement between Integrated Health and Sunshine Health dated December 12, 2016.

³³ Ibid.

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Florida Agency for Health Care Administration requires that it coordinate its services with the CBC lead agencies to ensure effective program coordination and no duplication of services.³⁴ Sunshine Health is also required to collaborate with the CBC lead agencies to facilitate obtaining medical and case plan information and records.³⁵ Sunshine Health accomplishes coordination/collaboration with the CBC lead agencies through Integrated Health. As Sunshine Health’s subcontractor, Integrated Health is further required to subcontract and work with the CBC lead agencies. An illustration of these relationships/contracts is presented below.



Title 2 CFR 200.400 states that the “application of these cost principles is based on the fundamental premises that:...(g) The non-Federal entity may not earn or keep any profit resulting from Federal financial assistance, unless explicitly authorized by the terms and conditions of the Federal award.” Big Bend CBC’s Contract does not entitle it to earn/keep “profits” resulting from the Contract. Further, Section 14 of the Contract addresses intellectual property that may arise in relation to Big Bend CBC’s performance under the Contract. Specifically, Section 14 of the Contract states it “is agreed that all intellectual property, inventions, written or electronically created materials, including manuals, presentations, films, or other copyrightable materials, arising in relation to Provider’s performance under this Contract, and the performance of all of its officers, agents and subcontractors in relation to this Contract, are works for hire for the benefit of the Department, fully compensated by the Contract amount, and that neither the Provider nor any of its officers, agents nor subcontractors may claim any interest in any intellectual property rights accruing under or in connection with the performance of this Contract.” As evidenced by previously cited contracts/contract terms, it is more than likely that Big Bend CBC and the other CBC lead agencies’ ownership interests arose directly from their contracts with the Department. As the ownership interests arose outside of the review period and other contracts were in effect, CRI was not provided with all relevant contracts, documents,

³⁴ Exhibit II-C, Child Welfare Specialty Plan dated February 1, 2018.

³⁵ Ibid.

minutes, etc. related to the generation of the ownership interests in Integrated Health. As such, the ownership interests and the related generated revenue/distributions may be considered as arising from intellectual property related to their performance under contracts with the Department for which these organizations were fully compensated.

Title 2 CFR 200.307 states that “non-federal entities are encouraged to earn income to defray program costs where appropriate” including via program income. Program income is defined by 2 CFR 80.120 as “gross income received by the grantee or subgrantee and earned only as a result of the grant during the grant period.” Program income may include revenue from services performed under a grant, sales of items produced under a grant, etc. As previously stated, Integrated Health was established to represent CBC lead agencies and Integrated Health can only subcontract the coordination services with CBC lead agencies. In other words, if it were not for the contract with the Department, the CBC lead agency could not earn revenue from Integrated Health and could likely not hold an ownership interest in it. It is also likely that the ownership interests in Integrated Health and Integrated Health itself arose from directly from the CBC lead agencies contracts with the Department. It is unclear whether Department funds are indirectly utilized to help generate revenues under Integrated Health. Notably, one CBC lead agency in its application/proposal for Department risk pool funding stated that it proposed using the risk pool funds to “increase revenue through CBCIH [Integrated Health] plan enrollment for dependent children.”³⁶ Based on the foregoing information, the income/distributions arising from Integrated Health may be considered program income and should be utilized to offset the costs billed to the Department.

Finding 7

Analysis of Officer Compensation

As previously indicated, Big Bend CBC’s officers/executive management include the CEO, COO, CFO and CLO. The executive management is employed directly by NWF Partnership, and executive management’s compensation is generally determined by the CEO with the exception of the CEO’s own compensation, which is determined by the NWF Partnership Board of Directors. NWF Partnership charges a management fee percentage to Big Bend CBC that includes an allocation of the executive management’s compensation within the management fee percentage. The management fee percentage is reviewed and approved by the Department annually. Within Big Bend CBC’s submission detail for the management fee percentage to the Department, a detailed cost allocation summary is provided that delineates the compensation allocations for each executive and non-executive position comprised within the management and administration contract.

In Section 5 of the Contract, it states that Big Bend CBC “shall without exception be aware of and comply with all state and federal laws, rules and regulations relating to its performance under this Contract as they may be enacted or amended from time-to-time.” As indicated by the Contract, its amendments and Big Bend CBC’s audited financial statements, Big Bend CBC receives significant pass-through federal funding via the Contract. A large portion of these federal funds originated from the U.S. Department of Health and Human Services (HHS).

³⁶ Children’s Network of Hillsborough, LLC’s Risk Pool Funding Application SFY 2022-2023.

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Costs that are considered unallowable costs in accordance with federal cost principles, Uniform Guidance and other federal and state laws, rules and regulations cannot be charged to federal and state grant awards or federal pass-through grant awards. Unallowable costs would include direct salary costs in excess of salary cap limitations established by the respective federal/state laws, rules and/or regulations.

HHS established a salary cap limitation for its direct federal awards and federal pass-through grants. Big Bend CBC received both direct awards and federal pass-through grants (via the Department) from HHS. As a result, Big Bend CBC was required to comply with the applicable salary cap limitations for its salary allocations. The HHS salary cap limitation is separate and apart from the salary limitations established by Florida Statutes.

Per the applicable laws, rules and guidance (including the Consolidated Appropriations Acts), award funds from HHS may not be used to pay the salary, *or any percentage of salary*, to an individual at a rate in excess of the established salary cap. In other words, if an individual's salary exceeds the established salary cap, the payroll allocation percentage is based on the established salary cap amount not the individual's actual salary amount. For example, if the salary cap is \$150,000 and an individual's salary is \$300,000, the payroll allocation percentage is applied to the \$150,000 salary cap. In applying this limitation, base salary is utilized. Other federal cost principles and Uniform Guidance still apply.

During the review period, Mr. Watkins, Ms. Gullledge, and Ms. East's base salaries exceeded the established salary cap in both fiscal years. The base salaries were allocated either to the direct HHS grant awards or the HHS pass-through grants (via the Department). Although the allocated dollar amounts did not exceed the established salary cap dollar amounts, Big Bend CBC effectively allocated these salaries based on a higher base salary amount versus the established salary cap amount as required. As a result, Big Bend CBC allocated approximately \$252,202 in unallowable base salary costs during the review period assuming these salaries were fully charged to the HHS pass-through grants (via the Contract). It is important to notate that the Contract comprises both federal and state funds. Big Bend CBC does not distinguish between the state and federal funds from the Contract within its books and records. As a result, we were unable to determine how much of the \$252,202 in unallowable salary costs were charged to federal funds. Per the Schedule of Funds in Amendment 51 to the Contract, federal funds comprised 49.87% of the total Contract funds.

In accordance with Florida Statute, 409.992(3), the Department has established limits to the administrative compensation that can be charged to the Contract. For both fiscal years within the review period, the annual administrative compensation limit was \$213,819. The administrative compensation limit includes base pay combined with bonus or incentive payments. The limit does not prevent any entity from providing additional compensation with non-state funds. If this limit is to be used in a manner consistent with the general requirements of Uniform Guidance (including 2 CFR 200.4), then the payroll allocation percentage should be applied to the cap similar to the HHS cap limitation. As such, Big Bend CBC may have allocated approximately \$263,444 in unallowable administrative compensation during the review period. As this limitation includes both the state and federal pass-through portion of the Contract funds, the unallowable administrative compensation is in part duplicative of the HHS unallowable salary cost allocations. A summary of these unallowable

Big Bend Community Based Care, Inc. Forensic Examination Report

salary cost allocations is presented in Schedule E of this report. The calculation of estimated unallowable administrative compensation performed above utilizes actual compensation expense incurred during the year. Management was unable to provide requested detail compensation by employee for the review period due to a change in the Organization’s payroll provider. Management was able to provide a listing of payroll processed by pay period, which does not represent payroll expense on an accrual basis, and does not classify components of compensation. The limitation of available documentation could impact the estimated unallowable administrative compensation during the review period.

During interviews with Management, Management described its process for allocating costs, specifically compensation costs, from NWF Partnership to Big Bend CBC. Management confirmed that the majority of the executive management and non-executive compensation is allocated directly or indirectly to Big Bend CBC, with a small portion allocated to the property management function within NWF Partnership. When CRI inquired into the reasons as to why no compensation is being allocated to the general management of NWF Partnership, Management indicated that they believed their current allocation of compensation is appropriate, considering the actual delivery of services and program activities to be managed exist within Big Bend CBC.

Retroactive Compensation

NWF Partnership’s governing board determines the compensation of the CEO, while the CEO determines the compensation of the rest of management. Management’s compensation costs are primarily allocated between two cost centers: property and Big Bend CBC. The majority of management’s compensation is allocated to Big Bend CBC.

Per Management, management’s compensation is in part determined by a periodic market pricing analysis as well as the Board’s own analysis of compensation for similar non-profit organizations. NWF Partnership has a policy in place that prevents the awarding of bonuses to employees.³⁷ Mr. Watkins confirmed during an interview that both Big Bend CBC and NWF Partnership have policies in place that preclude the awarding of bonus compensation. During the review period, executive management received additional payments totaling \$218,496 that was recorded outside of the normal payroll processing. A summary of these payments by individual and fiscal year are presented below.

Position	Compensation for FY 19-20	Retroactive Compensation FY 19-20	% of Total Compensation	Compensation for FY 20-21
Mike Watkins	\$ 585,662	\$ 87,500	14.94%	\$ 525,013
Lori Gulledge	276,674	53,918	19.49%	236,226
Pam East	254,437	77,078	30.29%	-
Courtney Stanford	67,359	-	0.00%	199,014
Totals	\$ 1,184,132	\$ 218,496	18.45%	\$ 960,253

³⁷ Policy 1116 Pay Increases: “Effective February 15, 2018, [NWF Partnership] does not award bonuses to employees.”

When asked about the additional compensation, Mr. Watkins stated that he could not recall the specific cause of the payments, but was confident they were not bonuses. We further inquired with Ms. Kerr, who provided documentation that identified the payments as retroactive compensation that was paid in fiscal year 2019-2020. CRI identified in the payroll reconciliation schedule provided by Management that NWF Properties had previously accrued a large portion of the retroactive compensation in prior years, which were not within our review period. The payroll reconciliation schedule reflected that \$181,868 in retroactive compensation was previously accrued (\$70,247 related to fiscal year 2017-2018 and \$111,621 related to fiscal year 2018-2019). Per the general ledger details, it appears that the actual accrual was \$176,856, which is a variance of \$5,012 as compared to the supporting schedule provided by Management. The remaining retroactive compensation was expensed in fiscal year 2019-2020. Based on the provided payroll reconciliation schedule, it appears that these retroactive payments were predominately allocated to the Department's CBC and ME contracts.

Management provided personnel action forms for executive management to support these retroactive payments. Per the provided documentation, Big Bend CBC's Board of Directors approved a \$50,000 (\$475,000 to \$525,000) base salary increase for Mr. Watkins on December 14, 2017. Although Mr. Watkins base salary was increased in December 2017, Mr. Watkins' base salary was not changed to reflect this increase until September 2019. Mr. Watkins was subsequently paid retroactive compensation for this increased base salary for December 2017 through August 2019. Ms. East and Ms. Gullledge received similar styled retroactive compensation.³⁸

CRI inquired of Management as to why the salary increases for executive management were not implemented until September 2019 when the salary increases were approved in December 2017. Per Management, "the primary point of emphasis to this delay was budget stewardship. While there was approval through all appropriate means, the simple truth is that, until appropriate reconciliation, there was an emphasis on service to children, families, and other vulnerable individuals. It was not, therefore, for some time after approval that the merit raise could be made retroactively whole." CRI subsequently inquired of Management as to why the compensation increases were approved if funds were not available and what circumstances changed in 2019. Mr. Lee, in part, stated the following as a response:

"I would caution against your construction that the compensation increases were approved with funds not being available as it is not supported by the information provided by Ms. Kerr, Ms. Gullledge, the board members, or myself. Instead, information provided shows that the budget and funds were available and thus the merit raises were approved. That stated, it was the exercised discretion of [Management] to delay these increases until the contractual period (provided to you by contract, DCF, and our staff as being five year periods) was shown to allow all such service needs before any implementation of merit increases...At the time the merit increase was put into effect, all prognosticated budgetary exercises and conjectures showed full ability to provide the specified increase. This was ratified by our CFO, CEO,

³⁸ Ms. East left NWF Partnership in or around April 2020 and received an additional payment delineated as retroactive pay/leave payout.

and board but, even in such ratification, all understood that a surge in service needs or a sudden constriction in funding by the legislature (this period did include, I believe, the tail end of the Great Recession) could see such budget availability collapse due to a sudden increase in need for out of home care or direct services. As these were five year contracts, [NWF Partnership] made the fiscal decision to only implement the merit increase when it was available both as a projected certainty and, later, as an actual certainty. Again, please recall that, as merit raises perpetuate in current and future salary projections, it is not enough to know that funding is available at one particular point but, instead, that it is available on an ongoing basis. That is what we reference and refer to by proper fiscal stewardship.”

Although Management via Mr. Lee indicated that the delay was budget stewardship, this is not fully supported by the provided supporting documentation. As previously indicated, Management accrued a substantial portion of the retroactive compensation in prior fiscal years. In other words, Management recorded the compensation in each year as an expense and allocated it to the Department contracts; thereby, reducing the budgeted funds available. CRI analyzed the fiscal year 2017-2018 Form 990 for Big Bend CBC and noted that its accounts payable exceeded its cash by \$4.2 million at fiscal year-end.³⁹ In the same fiscal year, NWF Partnership’s accounts payable also exceeded its cash at fiscal year-end. In fiscal year 2018-2019, Big Bend CBC’s cash exceeded accounts payable \$0.4 million at fiscal year-end. As such, it appears that Big Bend CBC did not have the funds available to pay for these compensation increases until approximately 22 months after the compensation increases were approved.⁴⁰ This analysis is limited as the approval of the compensation and the underlying financial records were not within our review period.

Finding 8

Invoice Analysis

Big Bend CBC submits monthly invoices to the Department based on a fixed payment schedule detailed within the Contract as amended during the contract period. Ten invoices are submitted for the months of September through June for each fiscal year of the Contract. The June and August contract payments are initiated by the Department based on the Contract terms. Invoices are submitted for payment to the Department in conjunction with the monthly financial reporting packet required by the Department. For the ten invoices submitted during each of the 2021 and 2020 fiscal years, the amount invoiced agreed without exception to the fixed payment schedule within the Contract as amended.

Finding 9

Reporting Analysis

CRI obtained from the Department the monthly actual expenditure reports submitted by Big Bend CBC for the fiscal years ending June 30, 2020 and 2021. CRI also obtained from the Department the monthly OCA summary and detail reports for the fiscal years ending June 30, 2020 and 2021. CRI also obtained from Big Bend CBC the monthly reporting package submitted to the Department that

³⁹ On or around August 2018, Big Bend CBC requested and received risk pool funds.

⁴⁰ Of note, Big Bend CBC’s personnel action forms related to the retroactive compensation were dated on or around September 3, 2019 with payment on or around September 13, 2019. Big Bend CBC submitted a risk pool application to the Department on or around September 13, 2019.

includes the monthly actual expenditure reports. CRI was unable to verify that the monthly actual expenditure reports provided by the Department agreed to the monthly actual expenditure reports provided by Big Bend CBC due to multiple digital files retained by the Department being password protected. When non-password protected versions of the files were requested from the Department, CRI was informed that the password had been applied by Big Bend CBC upon submission, and the Department does not have a policy or practice of securing files submitted. Utilizing the reporting retained by Management, and when possible the reporting provided to the Department, we performed a review of the monthly expenditure report to the OCA summary for each month through use of the monthly FSFN to CBC expenditure reconciliation report. This report is prepared by Big Bend CBC and provided along with the monthly expenditure report to the Department as part of the monthly reporting package. This document is one of the main documents used by the Department in agreeing and reconciling Big Bend CBC's reporting to the monthly OCA and FSFN generated reports.

CRI reviewed the monthly expenditure reports, FSFN to CBC expenditure reconciliation report, and the monthly OCA summary and detail reports for each month within the review period with the exception of September of 2019, as well as February, March, May, June, July and August of 2020. We were unable to obtain or access the monthly expenditure reports and/or the OCA Summary and OCA Detail reports for these specific months. The files for the specific months identified were either inaccessible due to password protection or were not provided by Management upon multiple requests. The limited analysis performed on the documents accessible for review did not identify any significant differences between the monthly expenditure reporting provided by Big Bend CBC, the monthly FSFN to CBC expenditure reconciliation report, and the monthly OCA summary and detail reports. Differences identified appear to reconcile in a subsequent month or by the end of the contract year based on activity recorded in the accessible documentation. It should be noted that the procedure performed with the documentation available is a required component of the monthly invoice and expenditure review process conducted by the Department, which is conducted on a monthly basis. The expectation of the procedure would be the reconciliation of monthly expenditure and OCA records without exception. The limitation on the procedure performed does not impact the extent or scope of the other procedures performed or findings identified unless otherwise noted.

Finding 10

Analysis of Expenditure Reports

In conjunction with reconciling the monthly actual expenditure reports to the OCA summary and detail reports, CRI also analyzed and reconciled the monthly actual expenditure reports submitted by Big Bend CBC during the review period to Big Bend CBC's general ledger. The general ledger details were obtained from the Department's retained submission of the monthly financial reporting packet and from Big Bend CBC directly. This procedure was performed for each month within the review period with the exception of May and June of 2020. We were unable to access the monthly expenditure reports for these specific months, as the files for the specific months identified were inaccessible due to password protection or were not provided by management upon multiple requests. The limited analysis identified various monthly differences. However, the majority of monthly differences were resolved in subsequent months or during the year-end reporting. For differences that could not be resolved due to the absence of records to review, the differences did not appear to vary significantly from differences that were documented to resolve in a subsequent month or by the end of the contract year. The limitation on the procedure performed does not impact the extent or scope of the other procedures performed or findings identified.

Finding 11

Deferred Revenue Analysis

At times during performance of the Department's Contract, Big Bend CBC may expend less funds to deliver the contracted services than initially budgeted/contractually funded. This results in Big Bend CBC submitting invoices under the fixed fee billing arrangement in excess of actual contract expenses. This then leads to the recognition of these unexpended funds as deferred revenue. Within the provisions of the Department's Contract, following the end of any State fiscal year, the Department will identify the amount of unexpended state funds for each lead agency. The lead agency will document any unexpended Department funds (i.e., deferred revenue) from the prior fiscal year and submit a State Funds Carry Forward Report as a supplement to the CBC Monthly Actual Expenditure Report to account for those expenditures when requesting payment.

Big Bend CBC initiated fiscal year 2019-2020 with \$328,831 in deferred revenue (State fund carryforward). During fiscal year 2020-2021, Big Bend CBC requested and was approved a budget increase for additional client assistance for out-of-home and prevention services. As a result, Big Bend CBC expended the full carryforward balance during fiscal year 2020-2021 in November 2020.

Big Bend CBC did not generate any deferred revenue/State fund carryforwards during the remainder of the review period. It should be noted that this analysis focuses on the deferred revenue as reported by Big Bend CBC. It does not consider the impact of the other findings within this report on deferred revenue.

Summarized Findings and Effects

A summary of the aforementioned findings and the related effects are presented below.

1. Non-Compliant Contract Procurement for Non-Related Entities

Finding: Within the sampled contract selection, Big Bend CBC entered into six contracts above the Organization's procurement threshold of \$150,000 for subrecipient services where no competitive solicitation was conducted or where documentation of competitive solicitation could not be provided in accordance with the organization's document retention requirements within its procurement policies. Thus, it could not be determined if these contracts were procured in compliance with federal and state procurement laws, rules, regulations, etc. including, but not limited to, 2 CFR Part 200.320.

Effect: Big Bend CBC is not in compliance with its procurement policies and procedures and potentially federal and state procurement laws, rules, regulations, etc. (including 2 CFR Part 200.320) for certain long-term sub-recipients/contractors. The costs associated with these contracts may be considered unallowable expenditures.

2. Non-Competitive Procurement for Related Entities

Finding: Big Bend CBC did not engage in a competitive procurement process for its related party contract with NWF Partnership. A waiver of the competitive procurement requirement was obtained from the Department for the management and administrative services contract with NWF Partnership for the fiscal year beginning July 1, 2018 and any subsequent renewals. However, Big Bend CBC entered into a new contract with NWF Partnership for management and administrative services for the fiscal year beginning July 1, 2019 and did not obtain a waiver from competitive procurement requirements from the Department. Thus, Big Bend CBC is not in compliance with federal and state procurement laws, rules, regulations, etc. including, but not limited to, 2 CFR Part 200.318/319/320.

Effect: Big Bend CBC is not in compliance with its procurement policies and federal and state procurement laws, rules, regulations, etc. (including 2 CFR Part 200.318/319/320) for its related party contract. The costs associated with these contracts may be considered unallowable expenditures.

3. Unclear Related Party Contracts

Finding: Big Bend CBC initially contracted with NWF Partnership for management and administrative services in fiscal year 2018-2019 with an initial effective date of April 1, 2018. A new contract for fiscal year 2019-2020 was executed with an effective date of July 1, 2019. For fiscal year 2020-2021, a separate contract was provided by Big Bend CBC that had an effective date of April 1, 2018, which was the initial contract date. No reference was made to the initial contract or the fiscal year 2019-2020 contract, and there were no amendments to the contracts. It is unclear why Big Bend CBC initiated an apparent third contract with an effective date that was over two years earlier.

Effect: Big Bend CBC is not in compliance with its procurement policies and federal and state procurement laws, rules, regulations, etc. (including 2 CFR Part 200.318/319/320) for its related party contract. The costs associated with these contracts may be considered unallowable expenditures.

4. Overbilling Related to NWF Partnership's Paycheck Protection Program Loan Forgiveness

Finding: NWF Partnership has credited/reduced its management fees/salary allocations to Big Bend CBC in 2021 to account for the PPP funds that covered certain NWF Partnership payroll. These PPP loan proceeds were received in 2020 and were subsequently forgiven in 2021. The methodology applied to calculate the credit/reduction in the management fees/salary allocations to Big Bend CBC by NWF Partnership does not appear agree to the methodology used when allocating payroll costs to Big Bend CBC under its management and administration contract. If NWF Partnership had applied the same allocation methodology to calculate the credit reduction an estimated additional \$117,424.51 would have been credited to the Department's Contract.

Effect: Big Bend CBC did not comply with Office of Management and Budget, M 20-26, Contract Section 3 and Contract Section 22 related to the forgiveness of NWF Partnership's PPP loans. The effect of the noncompliance could result in the Department being overcharged for payroll expenses.

5. Board Approval of Department Deficit Budgets

Finding: Big Bend CBC's Management and its Board of Directors knowingly prepared and approved annual budgets for Department funds that exceeded Department approved expenditures.

Effect: Big Bend CBC Board approved budgets do not align with the Department approved budgets. During the review period, Big Bend CBC budgeted or planned to expend more than Department allocated funding resources, which has in part led to funding deficits. This presents questions regarding Big Bend CBC's management and administration of the Contract within the constraints of the contracted funding as well as its representations regarding the causes of deficits within Big Bend CBC.

6. Consideration of Integrated Health Funds as Intellectual Property and/or Program Income

Finding: Big Bend CBC's ownership interest in Integrated Health appears to have arisen directly due to Big Bend CBC's Contract with the Department and may be considered as intellectual property (Contract Section 14) or program income (2 CFR 80.120). As the ownership interests arose outside of the review period and other contracts were in effect, CRI was not provided with all relevant contracts, documents, minutes, etc. related to the generation of the ownership interests in Integrated Health. As such, the ownership interests and related generated revenue/distributions may be considered as arising from intellectual property and/or program income directly related to performance under the Contract for which Big Bend CBC was fully compensated.

Effect: The revenues/distributions from Integrated Health may be considered Contract-related funds and subject to federal and state requirements. These revenues/distributions may also be required to offset Contract funds.

7. Contracted Management and Administration Appears Unnecessary

Finding: The structure of NWF Partnership providing contracted management and administrative services appears unnecessary. As documented in Finding 4, over 95% of the payroll costs incurred by NWF Partnership are allocated to Big Bend CBC, and the remaining payroll cost relate to property management activities for properties that were previously held within Big Bend CBC. Without apparent benefit to Big Bend CBC, the complexity of the related party relationship, related party contracts, related party transactions, etc. also appear unnecessary and potentially obscure the transactions and underlying costs including executive compensation.

Effect: The establishment of the related party entity potentially reduces the transparency of the "true" costs of the organizational structure including the allocation of executive management's compensation. The establishment of the related party entities may actually result in *increased* organizational costs.

8. Allocated Officer Compensation in Excess of Mandatory Caps

Finding: Big Bend CBC's allocated officer base salaries are in excess of the respective salary caps established by HHS and the State when applying the applicable allocation percentages consistent with the Consolidated Appropriations Act, Uniform Guidance and other federal cost principles. Under the HHS salary cap established by the Consolidated Appropriations Act, Big Bend CBC charged unallowable salary costs totaling \$252,202 during the review period. It is unclear whether all or a portion of these unallowable salary costs were charged to federal funds due to the lack of segregation of state and federal funds within Big Bend CBC's books. Under Florida Statute 409.992(3) in conjunction with the general requirements of Uniform Guidance, Big Bend CBC may have allocated approximately \$263,444 in unallowable administrative compensation during the review period. As the State limitation applies to all of the Contract (state and federal pass-through) funds, the unallowable administrative compensation is in part duplicative of the HHS unallowable salary cost allocations.

Effect: Big Bend CBC charged unallowable compensation costs to the Contract.

9. Retroactive Compensation


Finding: NWF Partnership made additional payroll disbursements to executive management in the amount of \$218,496 during fiscal year 2019-2020. This compensation was described by Management as retroactive compensation and was substantially accrued in prior years. It appears that the Board of Directors/Management approved of increased compensation for executive management when the funds were not available. It appears that the funds did not become available to pay these compensation increases until approximately 22 months after the compensation increases were approved.

Effect: This presents questions regarding Big Bend CBC's management and administration of the Contract within the constraints of the contracted funding as well as its representations regarding the causes of deficits within Big Bend CBC.

Conclusion

Based upon the foregoing information, Big Bend CBC and its related party companies have substantial related party transactions. These related party transactions were related to cost reimbursement contracts and did not result in substantial net assets accruing to the related entities. The related party transactions were not competitively procured in accordance with Big Bend CBC's policies and procedures as well as federal and state procurement laws, rules, regulations, etc. including, but not limited to, 2 CFR Part 200.318/319/320. These transactions totaled \$5,584,316 in expenditures billed to the Department's Contract during the review period. These expenditures may be considered unallowable costs. Additional non-related party contracts were identified as not being competitively procured.

It appears that the separation of the management and administrative activities of Big Bend CBC into NWF Partnership was unnecessary as NWF Partnership does not provide management services to any entity other than Big Bend CBC. The added complexity of the related party activities have also allowed Big Bend CBC to overbill the Department by an estimated \$117,424.51 related to NWF Partnership's PPP loan. Big Bend CBC has also billed the Department unallowable compensation costs for executives that were in excess of the applicable salary caps.



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Executive management received \$218,496 in additional compensation, which was substantially accrued in prior years. It appears that the Board of Directors/Management approved of increased compensation for executive management when the funds were not available. It appears that the funds did not become available to pay these compensation increases until approximately 22 months after the compensation increases were approved.

The Department should consider further investigating matters related to Big Bend CBC and its related companies' property purchases and transfers, which primarily arose outside of the review period. It appears that these properties are effectively being purchased with Department funds and several properties were transferred from Big Bend CBC to its related parties with no consideration. The Department's contracts are effectively being utilized as guarantees on the mortgages held by these related parties. The Department should also consider further investigating to determine whether or not the Integrated Health revenues/distributions are Contract related, subject to federal and state requirements and offset Contract funds.

Supplementary Information

Big Bend Community Based Care, Inc.
Forensic Examination Supplementary Information
Schedule A – Historical Statements of Financial Position for Big Bend CBC

For the fiscal years ending June 30,	2020	2021	2022
Assets			
Current Assets			
Cash	\$ 6,122,654	\$ 14,628,900	\$ 19,174,649
Grant and Contract Receivables	12,564,554	6,960,898	15,762,396
Other Receivables	2,121,610	929,341	351,734
Prepaid Expenses and Other Current Assets	442,019	225,287	148,392
Total Current Assets	\$ 21,250,837	\$ 22,744,426	\$ 35,437,171
Fixed Assets			
Property and Equipment, net	\$ 7,313,319	\$ 10,955,293	\$ 8,222,169
Total Fixed Assets	\$ 7,313,319	\$ 10,955,293	\$ 8,222,169
Other Assets			
Restricted Cash and Cash Equivalents	\$ 3,580,171	\$ 273,495	\$ 272,248
Other	82,416	82,416	82,416
Total Other Assets	\$ 3,662,587	\$ 355,911	\$ 354,664
Total Assets	\$ 32,226,743	\$ 34,055,630	\$ 44,014,004
Liabilities and Equity			
Liabilities			
Current Liabilities			
Accounts Payable and Accrued Expenses	\$ 13,447,323	\$ 13,261,690	\$ 22,628,514
Deferred Revenues	3,694,530	6,388,920	7,376,197
Due to Grantor	2,588,925	3,619,850	6,111,036
Line of Credit/Paycheck Protection Program	110,490	55,665	58,744
Refundable Advance - Paycheck Protection Program	1,500,000	-	-
Total Current Liabilities	\$ 21,341,268	\$ 23,326,125	\$ 36,174,491
Client trust funds	\$ 317,692	\$ 206,785	\$ 203,881
Long-Term Debt			
Long-term debt, less current portion	\$ 10,464,972	\$ 10,114,653	\$ 7,750,788
Total Long-Term Debt	\$ 10,464,972	\$ 10,114,653	\$ 7,750,788
Total Liabilities	\$ 32,123,932	\$ 33,647,563	\$ 44,129,160
Net Assets			
Net Assets Without Donor Restrictions	\$ 102,811	\$ 408,067	\$ (115,156)
Total Net Assets	102,811	408,067	(115,156)
Total Liabilities and Net Assets	\$ 32,226,743	\$ 34,055,630	\$ 44,014,004

Big Bend Community Based Care, Inc.
Forensic Examination Supplementary Information
Schedule B – Historical Statements of Activities for Big Bend CBC

For the fiscal years ending June 30,	2020	2021	2022
Revenue			
Grants and Contracts	\$ 116,730,866	\$ 118,959,430	\$ 131,536,629
Rental Income	166,781	177,638	216,847
Other	90,236	110,147	79,260
Gain on Loan Forgiveness - PPP	-	439,400	-
Insurance Proceeds, net of Repair and Maintenance	2,181,167	869,700	-
Operating Transfers In	-	67,893	-
Total Revenue	\$ 119,169,050	\$ 120,624,208	\$ 131,832,736
Expenses			
Operating Expenses			
Personnel	\$ 10,325,457	\$ 10,498,173	\$ 10,724,360
Management Fee	1,690,991	1,904,134	2,268,398
Supplies and Printing	84,820	54,049	65,070
Communication and Utilities	82,287	96,128	86,402
Travel	167,437	120,387	133,191
Direct Program	102,345,802	103,156,472	114,611,499
Facilities	2,238,659	2,289,115	2,090,305
Other	8,407	15,228	43,095
Professional Fees	533,311	513,934	691,359
Other Staff Related Costs	164,455	174,365	179,241
Operating Transfer Out	-	67,893	-
Expendable Equipment, Furniture and Maintenance	429,103	1,119,835	781,289
Postage and Shipping	17,445	13,237	17,689
Dues, Memberships and Subscriptions	89,179	78,890	77,026
Conferences and Meetings	28,057	3,960	25,115
Depreciation and Amortization	120,716	213,154	265,510
Total Operating Expenses	\$ 118,326,126	\$ 120,318,954	\$ 132,059,549
Total Expenses	\$ 118,326,126	\$ 120,318,954	\$ 132,059,549
Change in Net Assets	\$ 842,924	\$ 305,254	\$ (226,813)

Big Bend Community Based Care, Inc.
Forensic Examination Supplementary Information
Schedule C – Historical Statements of Financial Position for NWF Partnership

For the fiscal years ending June 30,	2020	2021	2022
Assets			
Current Assets			
Cash	\$ 565,238	\$ 474,889	\$ 580,696
Accounts Receivable	362,723	258,189	635,967
Other Receivables	64,967	70,277	148,417
Prepaid Expenses and Other Current Assets	52,942	39,792	112,603
Total Current Assets	\$ 1,045,870	\$ 843,147	\$ 1,477,683
Fixed Assets			
Property and Equipment, net	\$ 5,598,631	\$ 5,658,321	\$ 8,240,204
Total Fixed Assets	\$ 5,598,631	\$ 5,658,321	\$ 8,240,204
Other Assets			
Restricted Cash and Cash Equivalents	\$ 6	\$ -	\$ -
Investments	400,095	581,382	535,735
Total Other Assets	\$ 400,101	\$ 581,382	\$ 535,735
Total Assets	\$ 7,044,602	\$ 7,082,850	\$ 10,253,622
Liabilities and Equity			
Liabilities			
Current Liabilities			
Accounts Payable and Accrued Expenses	\$ 468,344	\$ 452,315	\$ 777,585
Deferred Revenues	-	499	512
Refundable Advance - Paycheck Protection Program	439,400	-	-
Total Current Liabilities	\$ 907,744	\$ 452,814	\$ 778,097
Long-Term Debt			
Deferred compensation payable	\$ 400,095	\$ 581,382	\$ 535,715
Long-term debt, less current portion	5,625,365	5,787,212	8,489,763
Total Long-Term Debt	\$ 6,025,460	\$ 6,368,594	\$ 9,025,478
Total Liabilities	\$ 6,933,204	\$ 6,821,408	\$ 9,803,575
Net Assets			
Net Assets Without Donor Restrictions	\$ 111,398	\$ 261,442	\$ 450,047
Total Net Assets	111,398	261,442	450,047
Total Liabilities and Net Assets	\$ 7,044,602	\$ 7,082,850	\$ 10,253,622

Big Bend Community Based Care, Inc.
Forensic Examination Supplementary Information
Schedule D – Historical Statements of Activities for NWF Partnership

For the fiscal years ending June 30,	2020	2021	2022
Revenue			
Grants and Contracts	\$ (10)	\$ 30,450	\$ -
Rental Income	129,567	120,393	153,139
Management Fees	2,013,264	2,208,306	2,435,096
Other	373	350	337
Gain on Loan Forgiveness - PPP	-	1,500,000	-
Insurance Proceeds, net of Repair and Maintenance	61,882	-	600
Transfers In	116,908	47,753	47,033
Total Revenue	\$ 2,321,984	\$ 3,907,252	\$ 2,636,205
Expenses			
Operating Expenses			
Personnel	\$ 1,516,408	\$ 2,940,717	\$ 2,056,921
Management Fee	-	-	1,100
Supplies and Printing	13,648	7,393	7,819
Communication and Utilities	8,038	7,665	9,582
Travel	26,066	17,796	25,714
Facilities	200,557	168,984	435,335
Other	4,374	615	1,633
Professional Fees	251,950	157,759	193,194
Other Staff Related Costs	61,605	44,591	59,717
Operating Transfer Out	116,908	47,753	47,033
Expendable Equipment, Furniture and Maintenance	134,171	129,967	(337,723)
Postage and Shipping	197	44	829
Dues, Memberships and Subscriptions	7,403	25,824	5,313
Conferences and Meetings	8,263	543	2,615
Depreciation and Amortization	150,579	207,555	235,868
Total Operating Expenses	\$ 2,500,167	\$ 3,757,206	\$ 2,744,950
Total Expenses	\$ 2,500,167	\$ 3,757,206	\$ 2,744,950
Change in Net Assets	\$ (178,183)	\$ 150,046	\$ (108,745)

Big Bend Community Based Care, Inc.
Forensic Examination Supplementary Information
Schedule E – Summary of Unallowable Salary Costs (Continued)

Unallowable HHS Salary Costs	FY 2019-2020	FY 2020-2021	Total
<i>Mike Watkins Unallowable Costs</i>			
Mike Watkins' Base Salary	\$ 525,000.00	\$ 525,013.00	\$ 1,050,013.00
Mike Watkins Allocated Base Salary	170,363.00	170,367.00	340,730.00
Effective Allocation Rate	32.45%	32.45%	
Applicable HHS Salary Cap Limitation	\$ 194,950.00	\$ 198,300.00	\$ 393,250.00
Effective Allocation Rate	32.45%	32.45%	
Allowed Salary Allocation	\$ 63,261.28	\$ 64,348.35	\$ 127,609.63
Mike Watkins Allocated Base Salary	170,363.00	170,367.00	340,730.00
Total Watkins Unallowable HHS Salary Allocation	\$ 107,101.72	\$ 106,018.65	\$ 213,120.37
<i>Lori Gullede Unallowable Costs</i>			
Lori Gullede's Base Salary	\$ 236,213.00	\$ 236,226.00	\$ 472,439.00
Lori Gullede Allocated Base Salary	76,651.00	76,651.00	153,302.00
Effective Allocation Rate	32.45%	32.45%	
Applicable HHS Salary Cap Limitation	\$ 194,950.00	\$ 198,300.00	\$ 393,250.00
Effective Allocation Rate	32.45%	32.45%	
Allowed Salary Allocation	\$ 63,261.28	\$ 64,348.35	\$ 127,609.63
Lori Gullede Allocated Base Salary	76,651.00	76,651.00	153,302.00
Total Gullede Unallowable HHS Salary Allocation	\$ 13,389.72	\$ 12,302.65	\$ 25,692.37
<i>Pam East Unallowable Costs</i>			
Pam East's Base Salary	\$ 236,213.00	\$ -	\$ 236,213.00
Pam East Allocated Base Salary	76,651.00	-	76,651.00
Effective Allocation Rate	32.45%	0.00%	
Applicable HHS Salary Cap Limitation	\$ 194,950.00	\$ 198,300.00	\$ 393,250.00
Effective Allocation Rate	32.45%	0.00%	
Allowed Salary Allocation	\$ 63,261.28	\$ -	\$ 63,261.28
Pam East Allocated Base Salary	76,651.00	-	76,651.00
Total East Unallowable HHS Salary Allocation	\$ 13,389.72	\$ -	\$ 13,389.72
Total Unallowable HHS Salary Allocation	\$ 133,881.16	\$ 118,321.30	\$ 252,202.46

Big Bend Community Based Care, Inc.
Forensic Examination Supplementary Information
Schedule E – Summary of Unallowable Salary Costs (Continued)

Unallowable State Salary Costs	FY 2019-2020	FY 2020-2021	Total
<i>Mike Watkins Unallowable Costs</i>			
Mike Watkins' Base Salary including Bonuses	\$ 585,662.00	\$ 527,032.00	\$ 1,112,694.00
Mike Watkins Allocated Base Salary including Bonuses	190,047.00	171,022.00	361,069.00
Effective Allocation Rate	32.45%	32.45%	
Applicable State Salary Cap Limitation	\$ 213,819.06	\$ 213,819.06	\$ 427,638.12
Effective Allocation Rate	32.45%	32.45%	
Allowed Salary Allocation	\$ 69,384.28	\$ 69,384.28	\$ 138,768.56
Mike Watkins Allocated Base Salary including Bonuses	190,047.00	171,022.00	361,069.00
Total Watkins Unallowable State Salary Allocation	\$ 120,662.72	\$ 101,637.72	\$ 222,300.44
<i>Lori Gullede Unallowable Costs</i>			
Lori Gullede's Base Salary including Bonuses	\$ 276,674.00	\$ 237,134.00	\$ 513,808.00
Lori Gullede Allocated Base Salary including Bonuses	89,781.00	76,950.00	166,731.00
Effective Allocation Rate	32.45%	32.45%	
Applicable State Salary Cap Limitation	\$ 213,819.06	\$ 213,819.06	\$ 427,638.12
Effective Allocation Rate	32.45%	32.45%	
Allowed Salary Allocation	\$ 69,384.28	\$ 69,384.28	\$ 138,768.56
Lori Gullede Allocated Base Salary including Bonuses	89,781.00	76,950.00	166,731.00
Total Gullede Unallowable State Salary Allocation	\$ 20,396.72	\$ 7,565.72	\$ 27,962.44
<i>Pam East Unallowable Costs</i>			
Pam East's Base Salary including Bonuses	\$ 254,437.00	\$ -	\$ 254,437.00
Pam East Allocated Base Salary including Bonuses	82,565.00	-	82,565.00
Effective Allocation Rate	32.45%	0.00%	
Applicable State Salary Cap Limitation	\$ 213,819.06	\$ 213,819.06	\$ 427,638.12
Effective Allocation Rate	32.45%	0.00%	
Allowed Salary Allocation	\$ 69,384.28	\$ -	\$ 69,384.28
Pam East Allocated Base Salary including Bonuses	82,565.00	-	82,565.00
Total East Unallowable State Salary Allocation	\$ 13,180.72	\$ -	\$ 13,180.72
Total Unallowable State Salary Allocation	\$ 154,240.16	\$ 109,203.44	\$ 263,443.60

Big Bend Community Based Care, Inc.
Forensic Examination Supplementary Information
Appendix A – Expert Qualifications



Ben Kincaid, CPA, CFE, CFF, CVA
Partner in the Forensic Accounting & Dispute Services Line
(850) 837-3141 phone | BKincaid@CRIcpa.com

Experience

Known for his data analytics and translating the data into defensible, investigative results, Ben Kincaid has over 11 years of experience in providing forensic accounting, litigation support and business valuation services across CRI's footprint. These services have included investigating compliance, employee malfeasance, hidden asset schemes, breach of contract claims, business interruption losses, economic damages, due diligence and valuation disputes. Ben has provided these services to a wide range of clients and industries; such as, state, county and local governments as well as private companies, non-profit organizations and publicly traded companies.

Ben speaks regularly on the topics of fraud prevention, fraud detection and business valuations. Ben has also worked with various law firms and law enforcement on civil and criminal matters and presented findings to various law enforcement agencies including the FBI, FDLE, DOJ and GBI. Ben also provides expert witness services and has qualified as an expert witness in various state courts. Ben is a graduate from Pensacola Christian College with a Bachelor of Science Degree in Business with a double concentration in Accounting and Finance. Ben served on the FICPA's Valuation, Forensic Accounting and Litigation Committee.

Education, Licenses & Certifications

- BS, Business, Pensacola Christian College
- Certified Public Accountant (CPA) – Indiana and Florida
- Certified Fraud Examiner (CFE)
- Certified Valuation Analyst (CVA)
- Certified in Financial Forensics (CFF)

Professional Affiliations/Awards

- American Institute of Certified Public Accountants (AICPA)
- Florida Institute of Certified Public Accountants (FICPA)
- Association of Certified Fraud Examiners (ACFE)
- National Association of Certified Valuators and Analysts (NACVA)
- 2021 AICPA Forensic and Valuation Services Standing Ovation Award Recipient

Big Bend Community Based Care, Inc.
Forensic Examination Supplementary Information
Appendix A – Expert Qualifications



Brent Sparkman, CPA, CFE, CITP
Partner in the Forensic Accounting & Dispute Services Line
(850) 878-8777 phone | BSparkman@CRLcpa.com

Experience

Brent has over 27 years of experience in public accounting with concentrations in non-profit and for-profit accounting, auditing, tax and consulting. Brent is an audit and consulting partner, forensic and IT specialist within the Tallahassee practice unit. Brent has specific training and expertise in forensic accounting, litigation support and expert witness testimony. Brent is also Certified in Financial Forensics (CFF) by the American Institute of Certified Public Accountants (AICPA). Brent has served as a consultant for numerous for-profit and non-profit organizations as well as State and local Governments.

He has investigated numerous white-collar crimes, fraud and embezzlement cases. Additionally, he has served as a consultant for numerous for profit and non- profit organizations, as well as State and local Governments related to forensic matters.

Brent is also certified by the AICPA as a Certified IT Professional (CITP) and has specialized training in IT general controls related to financial reporting. His experience includes financial statement and compliance audits of state and local governmental entities, non-profit organizations, and for-profit businesses. Brent oversees IT general controls assessment and testing for the Tallahassee audit practice. Brent is also a regular speaker on leadership, professional coaching and various technical matters. Brent is a trained continuing professional education (CPE) instructor and annually teaches courses to hundreds of professionals in related industry.

In 2020, Brent was appointed to the State Of Florida Board of Accountancy by Governor Ron DeSantis, responsible for the examination, licensure, and regulation of over 35,000 CPAs and over 5,600 accounting firms.

Education, Licenses & Certifications

- BS, Accounting, Florida State University
- BS, Finance, Florida State University
- Certified Public Accountant – Florida
- Certified in Financial Forensics (CFF)
- Certified Information Technology Professional (CITP)

Professional Affiliations

- American Institute of Certified Public Accountants
- Florida Institute of Certified Public Accountants
- Information Systems Audit and Control Association
- State of Florida Board of Accountancy, Board Member - Active

Big Bend Community Based Care, Inc.
Forensic Examination Supplementary Information
Appendix A – Expert Qualifications



Brian Manuel, CPA, CFE

Manager in the Forensic Accounting & Dispute Services Line
(850) 878-8777 phone

BManuel@CRIcpa.com

Experience

Brian is a CPA in the audit and forensic department of Tallahassee office of Carr, Riggs & Ingram, LLC. He has over 15 years of experience providing tax and assurance services for closely held businesses, non-profit organizations, municipalities and state agencies. Brian currently serves as a manager at CRI in planning, supervising, and conducting audits and forensic examinations of governmental, not-for-profit, and local for-profit entities. Brian has extensive experience with audits of local governments, cities and municipalities ranging from cities with a few thousand residents to the serving as manager of the audits of the City of Jacksonville and City of Tallahassee. Brian has accumulated substantial experience through his career in internal control and compliance monitoring and auditing under Federal Acquisition Regulation (FAR), OMB Uniform Guidance, the North Carolina statues over single audits, and the Florida Single Audit Act.

Brian received his Bachelors of Science and Master of Accounting degrees from Appalachian State University in North Carolina. Brian is a member of the American Institute of Certified Public Accountants (AICPA), the Florida Institute of Certified Public Accountants (FICPA), and the North Carolina Association of Certified Public Accountants (NCACPA). Brian serves as the president of the Tallahassee chapter of the Association of Certified Fraud Examiners (ACFE). Brian also serves on the Board of Directors of 2-1-1 Big Bend a community services information and crisis hotline and the Tallahassee based Board of Directors of the Boy Scouts of America.

Education, Licenses & Certifications

- BSBA, Accounting, Appalachian State University
- MS, Accounting, Appalachian State University
- Certified Public Accountant (CPA) – North Carolina and Florida
- Certified Fraud Examiner (CFE)

Professional Affiliations/Awards

- American Institute of Certified Public Accountants (AICPA)
- Florida Institute of Certified Public Accountants (FICPA)
- North Carolina Association of Certified Public Accountants (NCACPA)
- Association of Certified Fraud Examiners (ACFE)

Big Bend Community Based Care, Inc.
Forensic Examination Supplementary Information
Appendix B – Source Documentation

We reviewed and relied upon the following documentation during our investigation:

- Contract and related amendments between the Department and Big Bend CBC;
- Big Bend CBC Cost Allocation Plans for fiscal years 2020 and 2021;
- Big Bend CBC Administrative Rate Submission and Supporting Documentation for fiscal years 2020 and 2021;
- Big Bend CBC Paycheck Protection Program Application Acceptance and Forgiveness Notification;
- Big Bend CBC Wage Report for the fiscal years ending June 30, 2020 and 2021;
- Big Bend CBC Board and Committee Minutes during the fiscal years ending June 30, 2020 and 2021;
- Big Bend CBC Articles of Incorporation and Amendments;
- Big Bend CBC Bylaws;
- Big Bend CBC Reorganization Board Documents from 2018;
- Big Bend CBC Contracting and Procurement Policies and Procedures;
- Big Bend CBC Compensation Policies and Procedures;
- Big Bend CBC Financial Planning and Budgets Policies and Procedures;
- Big Bend CBC Employee Handbook;
- Big Bend CBC Trial Balance Reports prepared by management for the fiscal years ending June 30, 2020 and 2021;
- Big Bend CBC Consolidated Audited Financial Statements for the fiscal years ending June 30, 2019, 2020, 2021, and 2022 audited by James Moore & Co., P.L.;
- Big Bend CBC Detail General Ledgers prepared by management for the fiscal years ending June 30, 2020 and 2021;
- Big Bend CBC Forms 990 for the fiscal years ending June 30, 2020 and 2021 prepared by James Moore & Co., P.L.;
- Big Bend CBC Board Approve Budgets for the fiscal years ending June 30, 2020 and 2021;
- Big Bend CBC Department Contract Budgets submitted to DCF for the fiscal years ending June 30, 2020 and 2021;
- Big Bend CBC January 2018 Correspondence with DCF Regarding request for waiver of competitive procurement for management and administrative services contract;
- DCF February 2018 Correspondence approving waiver of competitive procurement for management and administrative services contract;
- Big Bend CBC Memo of PPP Loan Use and Forgiveness Treatment;
- Big Bend CBC Selected Procurement, Monitoring and Invoice Data for the fiscal years 2020 and 2021;
- NWF Partnership Articles of Incorporation;
- NWF Partnership Bylaws;
- NWF Partnership Forms 990 for the fiscal years ending June 30, 2020 and 2021 prepared by James Moore & Co., P.L.;
- NWF Partnership General Ledger Detail Report for the fiscal years ending June 30, 2020 and 2021;
- NWF Partnership Wage Report for the fiscal years ending June 30, 2020 and 2021;
- NWF Partnership Trial Balance Reports prepared by management for the fiscal years ending

Big Bend Community Based Care, Inc.
Forensic Examination Supplementary Information
Appendix B – Source Documentation

June 30, 2020 and 2021;

- NWF Partnership Personnel Action Forms for certain employees;
- NWF Partnership Paycheck Protection Program Application Acceptance and Forgiveness Notification;
- NWF Partnership Management and Administrative Services Reconciliation for the fiscal years ending June 30, 2020 and 2021;
- NWF Management, Administrative, and Shared Cost invoices and journal entries;
- Independence Village Articles of Organization and Amendments;
- Independence Village Forms 990 for the fiscal years ending June 30, 2020 and 2021 prepared by James Moore & Co., P.L.;
- Jackson HSC, LLC Articles of Organization;
- Jackson HSC, LLC Operating Agreement;
- Jackson HSC, LLC Mariana first and second mortgage documents;
- Leon HSC, LLC Articles of Organization;
- Leon HSC, LLC Operating Agreement;
- Leon HSC, LLC Tharpe first and second mortgage documents;
- Washington HSC, LLC Articles of Organization;
- Washington HSC, LLC Operating Agreement;
- Washington HSC, LLC Chipley mortgage documents;
- Data Compilation and Statutory Compensation Limit Review (CIG Number 2021-01-25-0017) prepared by the Office of the Chief Inspector General;
- Contractor Related Parties assurance report prepared by the Department, Office of Inspector General;
- Office of Federal Assistance Management, Division of Grants Policy, External Grants Policy Bulletins related to Salary Cap Limitations;
- Applicable Federal and State Laws, Rules, Regulations, etc. including, but not limited to, 2 CFR Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*; Florida Statutes Section 215.97; and, Florida Statutes Section 402.7305(4); and,
- CBC Casualty Insurance Limited Professional and General Liability Insurance Policies for fiscal years 2020 and 2021.