



State of Florida
Department of Children and Families

Ron DeSantis
Governor

Shevaun L. Harris
Secretary

August 22, 2023

Elizabeth Franco, Chief Executive Officer
Kids First of Florida, Inc.
1726 Kingsley Ave., Ste 2
Orange Park, FL 32073

RE: DJ039- FY 2023-2024, Notice of Forensic Audit Findings and Corrective Action Plan Request

Dear Ms. Franco,

Carr Riggs, & Ingram (CRI), LLC. was engaged by the Department to perform a forensic audit concerning the financial records of Kids First of Florida, Inc., 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 Kids First of Florida 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**
Based on sample selections, Kids First entered into two new contracts above the Simplified Acquisition threshold of \$250,000 where no competitive solicitation was conducted as required. Thus, these contracts were not procured in compliance with Kids First's policies and procedures as well as federal/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.
- **Noncompliance with Competitive Procurement Requirements for Related Entities**
Kids First did not engage in a competitive procurement process for its related party contracts including with the Institute for Growth and Development, Inc. (IGD) and Clay Behavioral Health Center, Inc. (Clay Behavioral). No competitive procurement waivers were obtained from the Department for these contracts. Thus, Kids First did not comply with its policies and procedures as well as federal/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.
- **Possible Overbilling Related to Paycheck Protection Program (PPP) Loan Forgiveness**
Clay Behavioral received a PPP loan that may have been utilized for payroll costs allocated to Kids First. Clay Behavioral did not provide any requested documentation for our review. Thus, we were unable to determine whether any of Clay Behavioral's PPP loan should have been credited to Kids First and the Department's Contract.
- **Potential Consideration of Integrated Health Funds as Contract Related Funds**

Kids First'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.

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. Kids First'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 Kids First:

- **Noncompliance with Competitive Procurement Requirements for Non-Related Entities**
Action: Kids First 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: Kids First 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: Kids First must provide the Department with repayment of any contract funds used for expenses covered by PPP loan forgiveness within 30 days of notice.
- **Potential Consideration of Integrated Health Funds as Contract Related Funds**
Action: Kids First's annual spending plan must include CBC IH distributions as additional revenue for the budget. This will require documentation of CBC-IH distributions received.

Kids First of Florida's 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, Clint Conner, via email at Clint.Conner@myflfamilies.com.

Sincerely,



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
Christy Gillis, Community Director (Interim)



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August 18, 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 Kids First of Florida, Inc.

Dear Mr. Ray:

Our firm was engaged to perform an inquiry concerning the financial records of Kids First of Florida, Inc., 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



Kids First of Florida, Inc.

**Forensic Examination Report and
Supplementary Information**

August 18, 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 Kids First of Florida, Inc. (Kids First). This inquiry was based upon findings identified by the Office of the Chief Inspector General.

CRI performed certain procedures on Kids First's books and records for July 1, 2019 through June 30, 2021. These procedures included, but were not limited to, interviews with key Kids First 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, Kids First entered into two contracts above the Simplified Acquisition threshold of \$250,000 where no competitive solicitation was conducted as required. Thus, these contracts were not procured in compliance with Kids First's policies and procedures as well as federal/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**
Kids First did not engage in a competitive procurement process for its related party contracts including with the Institute for Growth & Development, Inc. (IGD) and Clay Behavioral Health Center, Inc. (Clay Behavioral). No competitive procurement waivers were obtained from the Department for these contracts. Thus, Kids First did not comply with its policies and procedures as well as federal/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.
- **Possible Overbilling Related to Paycheck Protection Program (PPP) Loan Forgiveness**
Clay Behavioral received a PPP loan that may have been utilized for payroll costs allocated to Kids First. Clay Behavioral did not provide any requested documentation for our review. Thus, we were unable to determine whether any of Clay Behavioral's PPP loan should have been credited to Kids First and the Department's Contract. Refer to Finding 4.
- **Potential Consideration of Integrated Health Funds as Contract Related Funds**
Kids First's ownership interest in Integrated Health appears 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 interest 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.



Kids First of Florida, Inc.
Executive Summary

Our investigative procedures and findings were limited in respect to transactions involving Clay Behavioral. Documentation regarding these costs was requested by CRI, but Clay Behavioral did not provide this documentation by the Department's deadline to complete this engagement. Based upon the investigative procedures performed and the corresponding findings, Kids First had limited related party transactions in both nature and scale. The related party transactions also decreased during the review period. It does not appear the related party structure for Kids First increased costs. The Department should consider further investigating to determine whether the Integrated Health revenues/distributions are Contract related, subject to federal/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

Kids First of Florida, Inc. (formerly known as Clay Kids Net, Inc. and Clay & Baker Kids Net, Inc.) was established in 2003. Kids First functioned as the lead agency for Clay and Baker counties until 2008. In 2008, the Department requested that Baker County be served by a lead agency that was in the same judicial circuit.⁷ After this redistricting, Kids First continued to serve as the lead agency for Clay County. The renewal contract award for fiscal year 2019-2020 was \$10,137,072.

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 Kids First of Florida, Inc. 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.

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, financial records (i.e., general ledgers, payroll records, Paycheck Protection Program loan documentation, etc.) related to Clay Behavioral Health Center, Inc. Due to the amount of financial activities between Clay Behavioral Health Center, Inc. and Kids First of Florida, Inc., this information was deemed necessary to complete the investigative procedures.

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://kidsfirstofflorida.org/about-us/> (accessed August 1, 2023).

As discussed in subsequent sections of this report, these documents had been requested during the course of our investigation. 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.⁸ It is an organization's management that is responsible for the design, implementation of programs and controls to prevent, deter and detect fraud.⁹ 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.

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.

⁸ AU Section 316, *Consideration of Fraud in a Financial Statement Audit*.

⁹ Ibid.

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 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 Kids First of Florida, 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. Clint Conner, Contract Manager;
 - d. James Taylor, Contracts Supervisor;
 - e. Courtney Smith, Office of Licensing; and,
 - f. Kenyatta Register, Licensing Manager.
3. Conducted interviews with the following key personnel within Kids First of Florida, Inc. and its related companies to obtain an understanding of its operations, books and records:
 - a. Irene Toto, Chief Executive Officer, Clay Behavioral Health Center, Inc.;
 - b. Elizabeth Franco, Chief Executive Officer, Kids First of Florida, Inc.;
 - c. Kevin Davidson, Chief Financial Officer, Kids First of Florida, Inc.; and,
 - d. Mary Elwood, Operations Director, Kids First of Florida, Inc.
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 Kids First of Florida, Inc.'s policies and procedures.
8. Reviewed invoices submitted by Kids First of Florida, 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 Kids First of Florida 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 DJ039 (Contract), with Kids First of Florida, Inc. (Kids First) in or around July 2014. The Contract established Kids First as the provider or lead agency delivering a comprehensive array of foster care and related services to eligible children and families in Clay County. The Contract has been amended 33 times through the most recent amendment effective as of March 10, 2023. The Contract amendments primarily related to increases in the contract amount available to Kids First. The Contract and associated amendments document the scope of work and services to be provided by Kids First, 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, Kids First 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 \$36.52 million. As of March 10, 2023, the contract amount was amended and increased to \$113.63 million, which is an increase of \$77.11 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.¹⁰ Lead agencies may also receive "Back of the Bill" funding from the Florida Legislature.

Lead agencies, including Kids First, 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 Kids First including training, resource development, performance reviews, financial reviews and program monitoring. The interviews also provided us with an understanding of the primary individuals within Kids First that represent it in communications and submission of deliverables to the Department.

The Department provided an overview of the DJ039 contract with Kids First. The Department also provided an overview of the Kids First operations. The Department indicated that Kids First is part of a group of related entities that include Kids First, Clay Behavioral Health Center, Inc. (Clay Behavioral) and the Institute for Growth & Development, Inc. (IGD). The Department also noted one other related entity, Community Based Care Integrated Health, LLC (Integrated Health).

The Department's primary interaction with Kids First 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 Kids First 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.

¹⁰ <https://www2.myflfamilies.com/service-programs/child-welfare/kids/publications/risk-pool-reports.shtml> (accessed April 26, 2023).

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." Kids First was identified by the Department as having various related party relationships including with IGD, which provides contracted management and administrative services to its related organizations.

Finding 3

Understanding of Kids First and its Related Entities

The interviews provided us with an understanding of Kids First's books, records, and policies and procedures. The interviews also provided us an understanding of how Kids First conducts the CBC programs within the Contract scope and how it operates within the related party companies. Kids First operates within the aforementioned related party companies that include Kids First of Florida, Inc., Clay Behavioral Health Center, Inc., and the Institute for Growth & Development, Inc. IGD functions as the management company for the related companies including executive management. As such, each organization pays a management fee to IGD. Kids First also maintains an ownership interest in Integrated Health. A graphical depiction of the related party entities as well as Integrated Health is presented below.



With the exception of Integrated Health, these entities are Florida not-for-profit corporations designated as 501(c)(3) organizations under the Internal Revenue Code. Integrated Health is a for-profit, Florida limited liability company. Kids First maintains its books and records within Sage 50, an accounting software. The books and records for the related companies are maintained separately by the respective chief financial officers (CFO) for each entity. Per Kids First's CFO, Kevin Davidson, Kids First does not have access to the books and records of IGD and Clay Behavioral.

As non-profit organizations, Kids First, Clay Behavioral and IGD do not have members, shareholders, etc. However, IGD consolidates its audited financial statements with Kids First and Clay Behavioral. IGD's audited financial statements refer to Kids First and Clay Behavioral as its subsidiaries and state that IGD "was incorporated November 13, 2003 to provide management services and support" for the respective companies. The respective audited financial statements for Kids First and Clay Behavioral refer to themselves as a "component corporation of the Institute for Growth and Development, Inc."

Kids First of Florida, Inc. Forensic Examination Supplementary Information

Per discussion with Management, the current structure of Kids First and its related parties arose in or around 2003. Previous to 2003, only one organization was in operation, which was Clay Behavioral (formerly known as Clay County Behavioral Health Center, Inc.). The restructuring occurred as a result of the State of Florida's privatization of the child welfare system. Per Ms. Irene Tote, Chief Executive Officer (CEO) for IGD, Kids First was established as a separate entity for liability purposes and to help protect the financial stability of Clay Behavioral. IGD was also formed during this period to help reduce the administrative costs for both Clay Behavioral and Kids First.

Understanding of Kids First

Kids First is a subsidiary of IGD. As previously indicated, Kids First is the lead agency delivering a comprehensive array of foster care and related services to eligible children and families in Clay County. The core programs provided by Kids First 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.

After the planning work is performed in conjunction with the Department that identifies the services needed by the applicable population, Kids First's management determines the scope of services to be provided to meet the identified needs and seeks out providers to deliver the identified services. During the review period, the majority of the CBC programs/services administered by Kids First are delivered by Kids First. If Kids First contracts with a third-party provider/subcontractor to render certain client services, Kids First will monitor the delivery of the contracted services to ensure the services meet the requirements established in the Contract between the Department and Kids First as well as the policies established by Kids First.

Kids First'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 Kids First's management includes performance of monitoring activities for each individual contract at least once every three years.

Related party services provided to Kids First by IGD include contracted management and administrative services. Related party services provided by Clay Behavioral to Kids First include parenting education and support services as well as therapeutic and transitional trauma services. These related party services are discussed in further detail in Finding 6 of this report.

Understanding of IGD

As previously indicated, IGD acts as the parent organization of Kids First and Clay Behavioral. IGD provides management services to its self-defined subsidiaries. IGD controls Kids First and Clay Behavioral via board of director appointments and management agreements. IGD also provides certain staffing services (including CEO, human resource management and information technology) to Kids First and Clay Behavioral.

Understanding of Clay Behavioral

Clay Behavioral is a subsidiary of IGD and was incorporated to “provide coordinated mental health, substance abuse treatment and prevention services for the residents of Clay County, Florida.” Clay Behavioral provides services funded via contributions, grants or contracts including contracts with Kids First. Program services provided by Clay Behavioral include parenting education and support services as well as therapeutic and transitional trauma services.

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 through a 2% ownership interest held by Kids First. 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.

Finding 4

Review of General Ledgers and Financial Records

We reviewed Kids First’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

Kids First 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. Kids First’s procurement policies and procedures were established by Kids First. Kids First’s procurement policies and procedures states that “the timeline and parameters for procurement will be reviewed and updated as necessary. The updates will be submitted to the Department of Children and Families (DCF) when necessary.”

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 Kids First. The procurement policies and procedures define several allowable procurement methods including: micro-purchases for goods/services less than \$10,000; small purchases for goods/services less than \$250,000; competitive proposals for contracts above \$250,000; 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; and, exempt services.

Kids First’s policies and procedures state “regardless of the method of procurement used, all procurement transactions will be conducted in a manner providing full and open competition consistent with the standards of §92.36.” It further notes that situations considered to be restrictive of competition include organizational conflicts of interest. Policies and procedures require that when competitive solicitations are not utilized, at a minimum, the key decisions regarding the vendor selection process must be documented. These key decisions may include the cost analysis, names of

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evaluators, evidence showing action taken to be competitive to greatest extent possible, evidence to show why competitive purchase practices were not practical and evidence showing the reasons why the awarded vendor was selected.

Contract Procurement for Non-Related Entities

A haphazard selection of seven non-related party sub-recipients and contractors receiving total payments during the review period in excess \$100,000 from Kids First was made to determine Kids First’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 review period.

Kids First indicated that the majority of its vendors/providers had been working with Kids First for a number of years. As such, Kids First primarily utilizes multi-year contracts for the vendors/providers. Kids First stated that five of the selected vendors/providers were foster home providers and the data associated with these foster home providers was located in FSFN. Kids First stated that there were no invoices associated with these foster home providers. It should be noted that Kids First’s policies and procedures indicate that an invoice will be prepared by Kids First within FSFN and retained.¹¹ A summary of the sampled non-related parties (excluding the foster home providers) 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
Children's Home Society	X	X			
Family Resource Connection	X	X			

CRI requested the underlying procurement documentation for the above entities. As identified in the above table, Kids First was unable to produce any procurement documentation for these two sampled entities. For Children’s Home Society and Family Resource Connection, Kids First produced signed contracts and invoices, but no documentation was retained/provided regarding public notice/solicitation, a budget/cost price analysis or consideration of multiple applicants. No documentation was provided to indicate that Kids First sole-sourced Children’s Home Society or Family Resource Connection. Analysis of the contract terms, payments, etc. for these two entities indicate that the contract purchases exceeded \$250,000. As such, the contracts should have been competitively procured. No documentation was provided to support that these two contracts were competitively procured as required. Based on the foregoing information, certain Kids First contracts are not in compliance with federal and state procurement laws, regulations, etc. including, but not limited to, 2 CFR Part 200.320.

¹¹ Within the selected foster home providers, CRI identified two individual foster home providers that had received higher payments compared to the other individual foster home providers. Upon further review and discussion with the Department, these two individual foster home providers are related. It appears that these two individual foster home providers exceeded their licensed capacities in several months during the review period. No capacity waivers were identified by the Department within FSFN. CRI provided additional information regarding these two individual foster home providers to the Department for further review and consideration.

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, Kids First contracts with the other two related entities for certain services. Kids First and Clay Behavioral are considered subsidiaries of IGD due to its control over board of director appointments and via its management agreements. 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 Kids First and its related entities.

Kids First’s policies and procedures prohibit employees, officers, agents, etc. from being involved in the selection, award or administration of a contract where a conflict of interest would be involved. Beyond the conflict of interest policies as they relate to related party transactions, it is unclear what other uniform and consistent policies have been established by Kids First for related party transactions. Management indicated that the contractors for the related parties go through the same contracting/procurement process as any non-related parties. Ms. Toto stated that she did not involve herself in the negotiation of the rates charged by the related entities. Instead, the chief financial officers for each organization led the negotiations. The procurement of these related entity contracts are discussed in the following sections of this report.

Contract Procurement for Related Entities – IGD

As previously indicated, Kids First has contracted with IGD to provide management and administrative services. These services include, but are not limited to, CEO management, human resource management, additional accounting services and information technology services.¹² These same services are also provided by IGD to Clay Behavioral. IGD bills Kids First and Clay Behavioral for the shared direct and indirect expenses, which varied during the review period.

Kids First and IGD entered into a contract effective June 15, 2006 for the aforementioned management and administrative services. No amendments have occurred per Management. CRI requested procurement documentation reflecting Kids First's compliance with its procurement policies and procedures. No such documentation was provided.

Management indicated that the Department has been aware of its structure and has not raised issues regarding the structure. However, no waivers to the competitive procurement process were approved by the Department or requested by Kids First. 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. Based on the foregoing information, Kids First did not follow its own procurement policies and procedures related to its contract with IGD. 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. During the review period, the amount of services provided by IGD not in compliance with the applicable federal and state laws, rules, regulations, etc. total \$656,085.01. The entire amount was charged to the Department's Contract.

Contract Procurement for Related Entities – Clay Behavioral

As previously indicated, Kids First has contracted with Clay Behavioral to provide parenting education and support services as well as therapeutic and transitional trauma services. These services are contracted under four separate contracts with varying scopes of services, fee rates and contract terms. These four contracts are consistent with Kids First's third-party contract languages. CRI requested procurement documentation reflecting Kids First's compliance with its procurement policies and procedures. No such documentation was provided.

Based on the individual contracts, invoices, etc., it does not appear that the Clay Behavioral contracts individually exceeded the \$250,000 competitive procurement threshold. Per Kids First's procurement policies and procedures, a cost or price analysis should have been performed for these contracts. One price analysis was provided that included Clay Behavioral's rates as well as other provider rates. It is unclear whether this price analysis was conducted as part of the procurement for one of Clay Behavioral's contracts or another provider contract. As such, based on the available information, Kids

¹² It should be noted that IGD no longer provides CEO management services to Kids First. Kids First now has its own CEO.

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First did not follow its own policies and procedures related to its contracts with Clay Behavioral and the procurement of these contracts 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. During the review period, the amount of services provided by Clay Behavioral not in compliance with the applicable federal and state laws, rules, regulations, etc. total \$443,219. The entire amount was charged to the Department's Contract.

Paycheck Protection Program Analysis – Kids First

On or around April 21, 2020, Kids First applied for a Paycheck Protection Program (PPP) loan under the rules/guidelines established by the U.S. Small Business Administration (SBA).¹³ Kids First was approved and issued a PPP loan totaling \$673,300 on or around April 21, 2020.¹⁴ On or around November 7, 2020, Kids First received forgiveness for the full PPP loan amount of \$673,300.¹⁵

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 2020.¹⁶ 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.¹⁷

The majority of Kids First's activities are funded fully or in part by federal, state and/or local grants. The primary source of revenue for Kids First is its Contract with the Department, which represents 99% of its \$11.5 million reported revenue per Kids First's 2020 audited financial statements. Kids First's Contract with the Department is in part based on cost reimbursement, wherein Kids First 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.¹⁸

Per Management, Kids First credited the entire PPP loan forgiveness to the Department Contract funds. This was confirmed via Kids First's general ledger details and other supporting documentation. Based on the foregoing information, the Department was appropriately credited for Kids First's PPP loan forgiveness.

Paycheck Protection Program Analysis – Clay Behavioral

As previously indicated, Clay Behavioral provides parenting education and support services as well as therapeutic and transitional trauma services to Kids First. Clay Behavioral bills Kids First based on the contracted rate schedules. Per Management, these rates are based in part on the cost to provide these services as well as the established Medicaid rates for Clay Behavioral. These rate schedules likely include payroll-related expenses.

¹³ Kids First Paycheck Protection Program, Borrower Application Form.

¹⁴ Kids First SBA Loan Note.

¹⁵ Kids First SBA Notice of PPP Forgiveness Payment.

¹⁶ <https://www.sba.gov/funding-programs/loans/covid-19-relief-options/paycheck-protection-program/first-draw-ppp-loan> (accessed July 25, 2023)

¹⁷ Ibid.

¹⁸ Contract DJ039, Section 3.

In or around April 2020, Clay Behavioral applied for a PPP loan under the rules/guidelines established by the SBA. Clay Behavioral was approved and issued a PPP loan of \$1,054,100 in April 2020. Clay Behavioral subsequently received forgiveness for the full loan amount of \$1,054,100. Per Ms. Tote, no credits related to Clay Behavioral's PPP loan forgiveness were applied to Kids First. Ms. Tote stated that only a small portion of Clay Behavioral's revenue relates to Kids First. As such, no credit was necessary. Based on the audited financial statements for Kids First and Clay Behavioral, Kids First's payments to Clay Behavioral comprised approximately 3.79% of Clay Behavioral's total revenue.

During the course of this engagement, CRI requested certain financial records from Clay Behavioral's CFO. These financial records included general ledger detail reports, payroll records and Paycheck Protection Program loan documentation. CRI followed up regarding this documentation accordingly and provided deadlines to submit said documentation. Clay Behavioral's CFO stated that a family member had passed away and she would be unable to provide the requested records by the deadline. Clay Behavioral's CFO did not respond to subsequent follow ups regarding this request. Kids First's CFO stated that he does not have access to Clay Behavioral's financial records and could not provide these records for our review. Due to the lack of information provided, CRI was unable to determine whether any of Clay Behavioral's PPP loan forgiveness should have been credited to Kids First. If the percentage of Kids First's payments as compared to Clay Behavioral's total revenues was applied to Clay Behavioral's PPP loan forgiveness, it would result in a potential credit of \$39,950 to Kids First.

Finding 5

Analysis of Financial Reports - Budgets

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

During the review period, two fiscal year budgets were prepared by Management and approved by Kids First's Board of Directors. Kids First 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. No discrepancies related to the Contract funds/expenditures were noted between the budgets.

Analysis of Financial Reports – Audited Financial Statements

During the review period, external audits were completed annually for Kids First by The Forde Firm LLC, who also completes the external audits of Clay Behavioral and IGD. The audited financial statements of IGD are prepared on a consolidated basis and include the operations of Kids First and Clay Behavioral. In the presentation of the audited financial statements of Kids First, the Contract with the Department is included within the note disclosures, none of which present current financial information in a format that represents the contract specific expenses for the respective fiscal year. The information disclosed related to the Contract with the Department was limited.

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The audited financial statements of Kids First as well as of the related entities contained disclosures of the related party activities including receipts, expenditures, receivables and payables. A summary of the intercompany receipts and expenditures related to Kids First, as disclosed within the audited financial statements, is presented below.

Related Entity Activity	2020		2021	
	Receipts	Expenditures	Receipts	Expenditures
IGD				
Management Fees (Reimbursed Costs)	\$ -	\$ 325,099	\$ -	\$ 330,986
Total IGD	\$ -	\$ 325,099	\$ -	\$ 330,986
Clay Behavioral				
Contract Fees (Reimbursed Costs)	\$ -	\$ 295,601	\$ -	\$ 147,618
Total Clay Behavioral	\$ -	\$ 295,601	\$ -	\$ 147,618
Total Disclosed Related Party Activities within Kids First	\$ -	\$ 620,700	\$ -	\$ 478,604

The notes to the audited financial statements of Kids First did not detail any activities related to its ownership interest in Integrated Health. The audited financial statements also did not report Kids First's ownership interest in Integrated Health as an asset (i.e., investment). Since the Department only receives the audited financial statements of Kids First, the lack of reporting related to Integrated Health limits the Department's insight as it pertains to Integrated Health.

Analysis of Financial Reports – Forms 990

Kids First's Forms 990, Return of Organization Exempt From Income Tax, were analyzed for the review period. The Forms 990 were prepared by The Forde Firm LLC, which also prepares the Forms 990 for the related entities (Clay Behavioral and IGD). The Forde Firm LLC also performs the annual financial statement audits and applicable single audits for each of these entities. The Forms 990 filed for Kids First contain only the operating activities of Kids First. No other entity activities are consolidated within the returns. Financial balances including assets, liabilities, revenues and expenses reconcile to the respective audited financial statements for each of the fiscal years within the review period.

As Kids First and its related entities paid its management less than the \$150,000 annual threshold for the review period, Form 990, Schedule J that delineates the base, bonus & incentive, retirement, and nontaxable compensation/benefits for officers, directors, trustees, key employees and highest compensated employees was not completed. Kids First was required and did complete Form 990, Part VII, which delineates reportable compensation for the most recent calendar year for its officers, key employees and board of directors. In fiscal year 2019-2020, Kids First reported \$0 compensation for its CEO, Irene Toto. Conversely, IGD reported \$112,000 in compensation for Ms. Toto for the same fiscal year. Kids First should have reported Ms. Toto's compensation as reportable compensation from related organizations in fiscal year 2019-2020. In fiscal year 2020-2021, both Kids First and IGD correctly reported Ms. Toto's compensation. CRI compared the payroll ledgers to the respective Forms 990 and no discrepancies were identified.

Form 990, Schedule R is utilized to report information/transactions between related organizations. Kids First properly reported IGD and Clay Behavioral as related tax-exempt organizations on its Forms 990, Schedule R filed during the review period. However, Kids First inaccurately completed Part V of this schedule. Neither IGD nor Clay Behavioral filed Form 990, Schedule R as required during the review period.

Finding 6

Analysis of Administrative, Intercompany and Related Company Costs

As previously indicated, Kids First has related companies that include IGD and Clay Behavioral. Kids First also holds an ownership interest in Integrated Health. IGD functions as the management entity for Kids First and Clay Behavioral. Clay Behavioral provides mental health and substance abuse services in Clay County, Florida and provides limited services to Kids First. Kids First functions as the lead agency/provider for the Contract and Integrated Health oversees the Medicaid managed care services.

Kids First, IGD and Clay Behavioral maintain separate books and CFOs. Each entity also has a separate board of directors and separate policies and procedures. IGD allocates its direct and indirect costs to Kids First and Clay Behavioral, which include, but are not limited to, CEO compensation, human resource management services, rent, information technology services and limited accounting services. The CEO is the same for each entity and the CEO's compensation is allocated/charged to each entity.

As previously described, IGD and Kids First arose in or around 2003 due to the State of Florida's privatization of the child welfare system. Clay Behavioral had existed for several years prior to 2003. Per Management, the primary purpose for the establishment of Kids First was for liability purposes and to help protect the financial stability of Clay Behavioral. IGD was established to help reduce the administrative costs for both Kids First and Clay Behavioral.

Each entity has its own board members. Although there are separate boards established for each entity, there are similar board members in IGD as compared to Clay Behavioral and Kids First. For example, in fiscal year 2020-2021, two out of six board members for Kids First also served as board members for IGD. In the same fiscal year, one board member for Clay Behavioral also served as a board member for IGD. Per the applicable bylaws, IGD controls the board member appointments for Kids First and Clay Behavioral. Management indicated that the IGD board members receive information regarding Kids First and Clay Behavioral, but the IGD board members have no approval authority for either entity.

Analysis of Related Companies – IGD Activities

IGD entered into an agreement with Kids First and Clay Behavioral to provide management and administrative services. These services include the compensation costs of the CEO along with other personnel to deliver the contracted services. The management fee charged by IGD is based on the costs incurred by IGD to provide the contracted services. As such, IGD allocates all of its costs to Kids First and Clay Behavioral.

These costs are allocated to Kids First and Clay Behavioral based on various metrics; such as, the

number of full-time equivalent employees at each organization, the number of executive leadership staff within each entity and the number of technology users within each entity. Clay Behavioral is allocated a higher portion of IGD's costs due to the nature of the services it provides as compared to Kids First. Clay Behavioral also generally maintains a higher number of employees as compared to Kids First. IGD retains no to minimal profit as reflected in its audited financial statements.

As delineated in Finding 4 of this report, the management agreement between IGD and Kids First was not competitively procured as required. Kids First did not conduct any market analysis to determine whether the rate/cost structure including the shared costs of the management agreements with IGD were comparable. Management indicated that its related party structure has helped reduce the costs charged to Kids First. Management has not completed any analysis to support this assertion. Based on the available information, it appears that this particular related party structure did not increase costs related to Kids First and the Contract.

Analysis of Related Companies – Clay Behavioral Activities

Kids First entered into various agreements with Clay Behavioral for parenting education and support services as well as therapeutic and transitional trauma services. The terms for these services are documented under Kids First's standard contracts. The costs as detailed in the agreements were compared to the actual costs and no discrepancies were noted. As delineated in Finding 4, these agreements between Kids First and Clay Behavioral were not competitively procured as required.

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.^{19, 20} 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.²¹ Integrated Health is also required to make "every good faith effort to contract with the new designated lead agency CBC in the impacted area."²² 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 regions.

¹⁹ Vendor Agreement between Integrated Health and Sunshine Health dated December 12, 2016.

²⁰ The number of CBCs represented may change depending on the time period referenced.

²¹ Vendor Agreement between Integrated Health and Sunshine Health dated December 12, 2016.

²² Ibid.

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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. Kids First held a 2% ownership interest in Integrated Health in both fiscal years 2019-2020 and 2020-2021. The Class C membership appoints one of the five Board Managers.

The Class B membership units are held by Embrace Families, Inc. and consist of a 35% ownership interest in Integrated Health. Embrace Families, Inc. appoints two of the five Board Managers. The Class A membership units are held by Juno IH, LLC, a private-equity investment fund, and consist of the remaining 35% ownership interest. June IH, LLC also appoints two of the five Board Managers. Both Embrace Families, Inc. and June IH, LLC are classified as managing members of Integrated Health. Each member in Integrated Health is entitled to receive distributions from Integrated Health in proportion to their respective ownership interest.

As a participating CBC lead agency, Kids First receives revenue from Integrated Health. For the years ended June 30, 2020 and 2021, Kids First received \$72,000 and \$131,545 in revenue from Integrated Health, respectively. As a member of Integrated Health, Kids First also received \$20,000 and \$70,000 in distributions from Integrated Health during the years ended June 30, 2020 and 2021, respectively. Kids First considers both the revenues as well as the distributions to be unrestricted funds (i.e., non-State, non-Contract, etc. related funds).²³

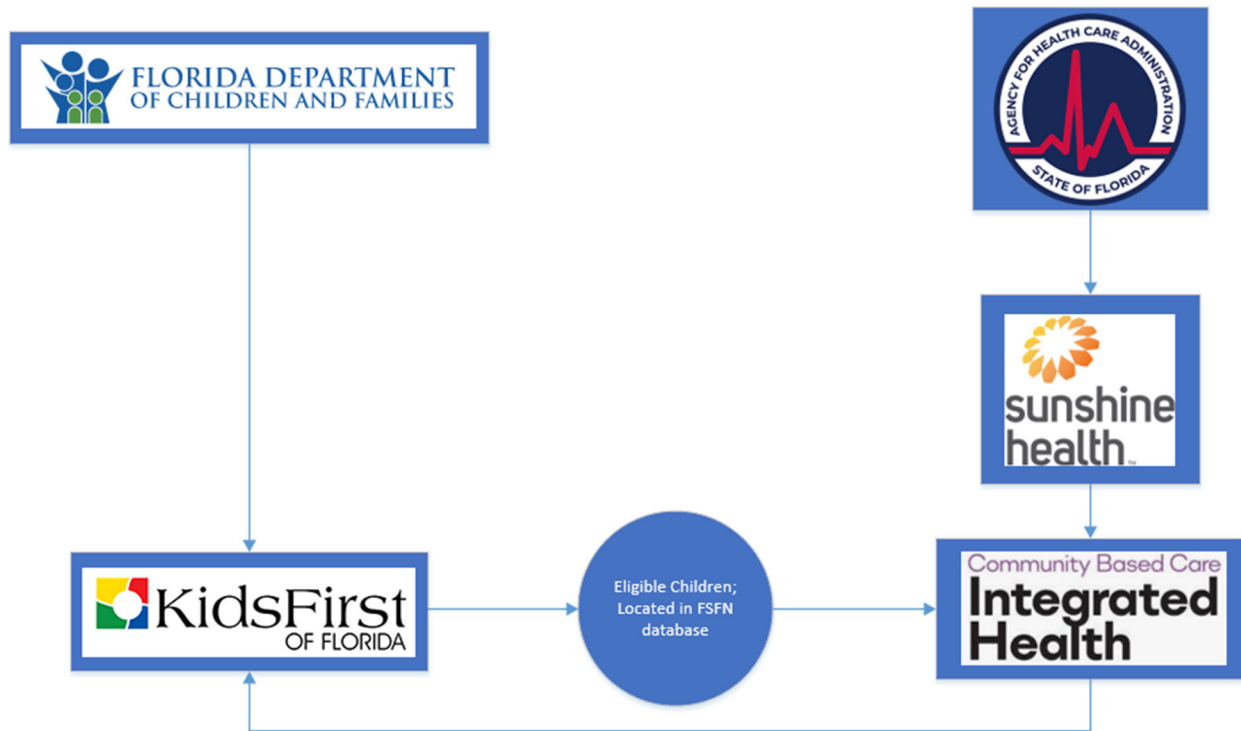
As outlined above, Kids First and the other CBC lead agencies have considered the funds generated via Integrated Health to be unrestricted/non-Contract funds. Per Exhibit II-C of the Child Welfare Specialty Plan dated February 1, 2018 as well as Management, the children that are eligible to participate in the Plan are the same children already serviced/being serviced by the CBC lead agencies under their respective contracts with the Department. Mr. Davidson stated that Kids First did not make any payments for its ownership in Integrated Health and he was unsure how the ownership interest was acquired. Ms. Tote indicated that there was an investment made into Integrated Health. Based on Kids First's financial statements, it does not appear that Kids First made any investment into Integrated Health. Sunshine Health's contract with the 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.²⁴ Sunshine Health is also required to collaborate with the CBC lead agencies to facilitate obtaining medical and case plan information and records.²⁵ 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.

²³ It is important to note that unrestricted funds are funds that management/the Board of Directors can use for whatever purpose it deems appropriate.

²⁴ Exhibit II-C, Child Welfare Specialty Plan dated February 1, 2018.

²⁵ Ibid.

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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.” Kids First’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 Kids First’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 Kids First 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, 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 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.”²⁶ 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.

Due to its for-profit corporation status, transparency into Integrated Health, its operations and its financials is limited. Although Integrated Health represents the majority of the CBC lead agencies and the majority of its membership interest is owned by non-profit organizations (i.e., CBC lead agencies), disclosure of Integrated Health’s financials is limited to the note disclosures of the various CBC lead agencies’ audited financial statements. Kids First’s audited financial statements do not have any note disclosures related to Integrated Health.

Finding 7

Analysis of Officer Compensation

As previously indicated, Kids First officers/executive management include the CEO and CFO. The CEO is employed directly by IGD and the CEO’s compensation is generally determined by IGD’s Board of Directors. IGD allocates a portion of the CEO’s compensation to Kids First based on the number of executive leadership staff within Kids First and Clay Behavioral, which generally equates to 50/50 allocation. Kids First’s CFO is employed directly by Kids First and does not provide services to the other related entities. As such, no allocation is necessary for the CFO compensation.

CRI requested payroll documentation for Kids First, Clay Behavioral and IGD. CRI compared the provided payroll documentation for Kids First and IGD to the applicable general ledgers. No discrepancies were noted. As previously delineated, no payroll documentation for Clay Behavioral was provided for our review.

²⁶ Children’s Network of Hillsborough, LLC’s Risk Pool Funding Application SFY 2022-2023.

In Section 5 of the Contract, it states that Kids First “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 Kids First’s audited financial statements, Kids First 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).

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/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. Kids First received federal pass-through grants (via the Department) from HHS. As a result, Kids First 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, no salaries exceeded the established salary cap.

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. During the review period, no salaries exceeded the established salary cap.

Finding 8

Invoice Analysis

Kids First 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 Kids First 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 Kids First the monthly reporting package submitted to the Department that includes the monthly actual expenditure reports. CRI verified that the monthly actual expenditure reports provided by the Department agreed to the monthly actual expenditure reports provided by Kids First. After confirming the reporting retained by Management agreed to 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 Kids First and provided along with the monthly expenditure report to the Department as part of the monthly reporting package. This document is the one of the main documents used by the Department in agreeing and reconciling Kids First'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. The analysis did not identify any unreconciled differences between the monthly expenditure reporting provided by the Department and Kids First, the monthly FSFN to CBC expenditure reconciliation report, and the monthly OCA summary and detail reports.

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 Kids First during the review period to Kids First's general ledger. The general ledger details were obtained from the Department's retained submission of the monthly financial reporting packet and from Kids First directly. This procedure was performed for each month within the review period. The analysis identified various monthly differences. However, these monthly differences were resolved in subsequent months or during the year-end reporting. As such, we did not identify any significant unreconciled differences between the monthly expenditure reporting prepared by Kids First and Kids First's general ledger.

Finding 11

Deferred Revenue Analysis

At times during performance of the Department's Contract, Kids First may expend less funds to deliver the contracted services than initially budgeted/contractually funded. This results in Kids First 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.

Kids First initiated the 2020 fiscal year with \$1,778,784 in deferred revenue (State fund carryforward), which originated under Contract DJ039. During the review period, Kids First expended a portion of the deferred revenue and then increased its deferred revenue. As of June 30, 2021, Kids First deferred revenue totaled \$1,649,227. No discrepancies were noted.

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, Kids First entered into two contracts above the Simplified Acquisition threshold of \$250,000 where no competitive solicitation was conducted. Thus, these contracts were not procured in compliance with federal/state procurement laws, rules, regulations, etc. including, but not limited to, 2 CFR Part 200.320.

Effect: Kids First is not in compliance with its procurement policies and procedures and federal/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: Kids First did not engage in a competitive procurement process for its related party contracts including with IGD and Clay Behavioral. No competitive procurement waivers were obtained from the Department for these contracts. Thus, Kids First did not comply with federal/state procurement laws, rules, regulations, etc. including, but not limited to, 2 CFR Part 200.318/319/320 for its related party contracts.

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

3. Possible Overbilling Related to Clay Behavioral's Paycheck Protection Program Loan Forgiveness

Finding: Clay Behavioral did not credit/reduce its fees charged to Kids First to account for the PPP funds that may have covered certain Clay Behavioral payroll charged to Kids First. These PPP loan proceeds were received in 2020 and were subsequently forgiven. Clay Behavioral did not provide any requested documentation for our review. Thus, we were unable to determine whether any of Clay Behavioral's PPP loan should have been credited to Kids First and the Department's Contract.

Effect: Kids First may not have complied with Office of Management and Budget, M 20-26, Contract Section 3 and Contract Section 22 related to the forgiveness of Clay Behavioral's PPP loans.

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

Finding: Kids First's ownership interest in Integrated Health appear to have arisen directly due to Kids First'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 Kids First was fully compensated.

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

Conclusion

Based upon the foregoing information, Kids First had limited related party transactions and the related party transactions decreased during the review period. It does not appear that the related party structure increased Kids First's costs or the costs allocated to the Contract. The related party transactions were not competitively procured in accordance with Kids First's policies and procedures as well as federal/state procurement laws, rules, regulations, etc. including, but not limited to, 2 CFR Part 200.318/319/320. These transactions totaled approximately \$1.1 million in expenditures billed to the Contract during the review period. These expenditures may be considered unallowable costs. Additional non-related party contracts were identified as not being competitively procured.

The Department should consider further investigating to determine whether or not the Integrated Health revenues/distributions are Contract related, subject to federal/state requirements and offset Contract funds. It is important to notate that our investigative procedures and findings were limited in respect to transactions involving Clay Behavioral. Documentation regarding these costs was requested by CRI, but Clay Behavioral did not provide this documentation by the Department's deadline to complete this engagement. It is possible that additional findings and/or areas of noncompliance may be identified upon reviewing the requested documentation.

Supplementary Information

Kids First of Florida, Inc.
Forensic Examination Supplementary Information
Schedule A - Historical Statements of Financial Position for Kids First

For the fiscal years ending June 30,	2020	2021	2022
Assets			
Current Assets			
Cash and Cash Equivalents	\$ 3,492,566	\$ 3,738,431	\$ 5,765,236
Accounts Receivable	-	501,310	-
Prepaid	166,652	165,524	359,222
Total Current Assets	\$ 3,659,218	\$ 4,405,265	\$ 6,124,458
Other Assets			
Investments	\$ -	\$ -	\$ -
Property and Equipment, Net	27,698	8,875	-
Total Other Assets	\$ 27,698	\$ 8,875	\$ -
Total Assets	\$ 3,686,916	\$ 4,414,140	\$ 6,124,458
Liabilities and Net Assets			
Liabilities			
Accounts Payable	\$ 366,081	\$ 470,733	\$ 673,509
Accrued Expenses	312,823	300,199	188,405
Deferred Revenue	730,800	1,649,227	3,066,719
SBA PPP Loan	673,300	-	-
Total Current Liabilities	\$ 2,083,004	\$ 2,420,159	\$ 3,928,633
Total Long-Term Debt	\$ -	\$ -	\$ -
Total Liabilities	\$ 2,083,004	\$ 2,420,159	\$ 3,928,633
Net Assets			
Without Donor Restrictions	\$ 1,527,471	\$ 1,936,363	\$ 2,147,082
Without Donor Restrictions - Property	27,698	8,875	-
With Donor Restrictions	48,743	48,743	48,743
Total Net Assets	\$ 1,603,912	\$ 1,993,981	\$ 2,195,825
Total Liabilities and Net Assets	\$ 3,686,916	\$ 4,414,140	\$ 6,124,458

Kids First of Florida, Inc.
Forensic Examination Supplementary Information
Schedule B - Historical Statements of Activities for Kids First

For the fiscal years ending June 30,	2020	2021	2022
Revenue and Support			
Contributions	\$ 12,048	\$ 26,525	\$ 11,327
In-kind contributions	6,669	-	-
Special events	-	12,046	-
COVID-Funds	-	708,300	-
Other income	117,707	246,575	279,587
Interest Income	10,654	1,662	382
State of Florida Department of Children and Families	11,356,149	10,468,066	11,154,952
Total Revenue and Support	\$ 11,503,227	\$ 11,463,174	\$ 11,446,248
Expenses			
Background Screenings	\$ 39,176	\$ 34,889	\$ 32,015
Building Occupancy	272,081	259,277	265,467
Communication	65,044	58,344	56,093
Contracted Services	499,701	478,572	1,126,713
Depreciation	32,032	18,822	8,875
Dues Membership Fees	-	400	363
Equipment/Furniture	-	7,384	8,567
Foster Care, Shelter, and Services	6,215,221	6,319,014	6,590,509
Fringe Benefits	462,443	212,576	325,406
Insurance	107,011	126,334	138,319
IT Expense	-	7,422	3,808
Maintenance Agreements	11,665	3,074	2,552
Maintenance/Janitorial	-	8,456	8,807
Mileage and Travel	108,913	76,168	61,352
Office Supplies	25,848	7,696	4,812
Operating Supplies and Expenses	26,117	4,988	2,546
Payroll Processing Fees	-	8,785	6,701
Payroll Taxes	230,007	402,858	175,727
Postage	-	8,982	8,408
Professional Services	65,097	63,306	29,571
Recruitment	-	4,389	13,093
Salaries	3,213,007	2,928,574	2,360,081
Trainings/Meetings	-	10,490	3,816
Unallowable Expense	-	19,668	6,925
Vehicle	4,786	2,637	3,878
Total Expenses	\$ 11,378,149	\$ 11,073,105	\$ 11,244,404
Change in Net Assets	\$ 125,078	\$ 390,069	\$ 201,844

The Institute for Growth and Development, Inc.
Forensic Examination Supplementary Information
Schedule C - Historical Statements of Financial Position for IGD

For the fiscal years ending June 30,	2020	2021
Assets		
Current Assets		
Cash and Cash Equivalents	\$ 38,424	\$ 26,021
Accounts Receivable	23,347	21,378
Prepaid	1,877	1,882
Total Current Assets	\$ 63,648	\$ 49,281
Total Other Assets	-	-
Total Assets	\$ 63,648	\$ 49,281
Liabilities and Net Assets		
Liabilities		
Accrued expenses and Accounts Payable	\$ 12,648	\$ -
Accrued compensated absences	23,347	21,378
Total Current Liabilities	\$ 35,995	\$ 21,378
Total Liabilities	\$ 35,995	\$ 21,378
Net Assets without Donor Restrictions	\$ 27,653	\$ 27,903
Total Liabilities and Net Assets	\$ 63,648	\$ 49,281

The Institute for Growth and Development, Inc.
Forensic Examination Supplementary Information
Schedule D - Historical Statements of Activities for IGD

For the fiscal years ending June 30,	2020	2021
Revenue and Support		
Client Fees	\$ 742,297	\$ 747,406
Total Revenue and Support	\$ 742,297	\$ 747,406
Expenses		
Program Service Expenses	\$ -	\$ -
Supporting Service Expenses	742,297	747,156
Total Expenses	\$ 742,297	\$ 747,156
Change in Net Assets	\$ -	\$ 250

Clay Behavioral Health Center, Inc.
Forensic Examination Supplementary Information
Schedule E - Historical Statements of Financial Position for Clay Behavioral

For the fiscal years ending June 30,	2020	2021	2022
Assets			
Current Assets			
Cash and Cash Equivalents	\$ 615,311	\$ 598,675	\$ 1,149,147
Accounts Receivable			
State of Florida	481,791	473,769	1,233,260
Contracts	165,395	123,430	152,375
Medicaid/Medicare	385,524	235,789	115,219
Other	157,172	145,414	179,990
Allowance for doubtful accounts	(90,597)	(91,427)	(98,195)
Prepaid	92,501	57,528	54,826
Total Current Assets	\$ 1,807,097	\$ 1,543,178	\$ 2,786,622
Other Assets			
Investments	\$ -	\$ -	\$ -
Property and Equipment, Net	1,201,729	1,219,951	1,169,344
Deposits	15,100	15,100	22,005
Total Other Assets	\$ 1,216,829	\$ 1,235,051	\$ 1,191,349
Total Assets	\$ 3,023,926	\$ 2,778,229	\$ 3,977,971
Liabilities and Net Assets			
Liabilities			
Accounts Payable	\$ 43,628	\$ 59,522	\$ 17,307
Accrued Expenses	110,675	104,537	147,025
Due to other agencies	200	200	200
Accrued compensated absences	147,207	120,646	130,707
PPP Loan	1,054,100	-	-
Deferred Revenue-LSF	-	-	294,906
Current portion of long-term debt	56,684	45,559	46,285
Total Current Liabilities	\$ 1,412,494	\$ 330,464	\$ 636,430
Total Long-Term Debt	142,337	97,099	51,505
Total Liabilities	\$ 1,554,831	\$ 427,563	\$ 687,935
Net Assets			
Without Donor Restrictions	\$ 1,469,095	\$ 2,350,666	\$ 3,290,036
Total Net Assets	\$ 1,469,095	\$ 2,350,666	\$ 3,290,036
Total Liabilities and Net Assets	\$ 3,023,926	\$ 2,778,229	\$ 3,977,971

Clay Behavioral Health Center, Inc.
Forensic Examination Supplementary Information
Schedule F - Historical Statements of Activities for Clay Behavioral

For the fiscal years ending June 30,	2020	2021	2022
Revenue and Support			
Contributions	\$ 28,497	\$ 19,893	\$ 11,640
PPP Forgiveness	-	1,054,100	-
Fundraising	-	12,046	-
US Health and Human Services	162,263	-	-
State of Florida DCF: Mental Health	2,173,522	2,243,713	3,345,567
State of Florida DCF: Substance Abuse	1,718,460	1,647,222	1,977,288
State of Florida DCF: Other Programs	1,162,145	891,455	1,161,760
State of Florida Juvenile Justice: Prevention/Diversion	275	-	-
State of Florida Department of Education: Vocational Rehabilitation Serv	64,301	45,505	42,753
Clay County School Board	10,213	50,375	53,811
Clay County	373,110	396,890	350,000
Clay County Drug Court	232,830	157,934	214,274
United Way	20,082	6,803	7,986
Medicaid	1,206,734	1,145,514	986,686
Medicare	67,927	75,406	53,516
Client Fees	128,204	131,176	117,955
Client Insurance	46,265	46,566	55,977
Rental Revenue	29,909	19,662	18,603
Other Miscellaneous	382,845	294,770	202,177
Interest	48	16	20
Total Revenue and Support	\$ 7,807,630	\$ 8,239,046	\$ 8,600,013
Expenses			
Administration	\$ -	\$ -	\$ -
Bad Debt Expense	100,001	100,000	99,998
Building Occupancy	319,643	328,908	424,059
Depreciation	104,224	113,112	129,009
Equipment Costs	199,570	67,203	252,501
Fringe Benefits	682,593	557,786	476,347
Insurance	67,886	82,344	84,661
Interest	23,030	7,323	5,282
Medical and Pharmacy	63,004	33,783	132,635
Operating Supplies and Expenses	220,200	226,737	346,193
Other Support	-	-	-
Payroll Taxes	323,737	304,524	300,429
Professional Services	182,887	107,912	66,154
Salaries	4,572,721	3,980,682	4,113,748
Subcontracted Services	1,124,876	1,398,481	1,128,209
Travel	125,450	48,680	101,418
Total Expenses	\$ 8,109,822	\$ 7,357,475	\$ 7,660,643
Change in Net Assets	\$ (302,192)	\$ 881,571	\$ 939,370

See Forensic Examination Report.

Kids First of Florida, 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

Kids First of Florida, 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

Kids First of Florida, 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)

Kids First of Florida, 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 Kids First;
- Kids First Funding Profile provided by the Department;
- Applicable Florida Safe Families Network data;
- 2019-20 CBC Desk Review Financial Monitoring Report, prepared by the Department’s Office of CBC/ME Financial Accountability;
- 2020-21 CBC Desk Review Financial Monitoring Report, prepared by the Department’s Office of CBC/ME Financial Accountability;
- Kids First Articles of Incorporation;
- Kids First Bylaws as amended and restated;
- Kids First Policies and Procedures;
- Kids First Board of Director Rosters;
- Kids First Board of Director Meeting Minutes and Packets;
- Kids First Audit Committee Meeting Minutes;
- Kids First Cost Allocation Plans for fiscal years 2020 and 2021;
- Kids First Financial Statements and Additional Information audited by The Forde Firm, LLC for the fiscal years ending June 30, 2020 through 2022;
- Kids First Forms 990 for the fiscal years ending June 30, 2020 and 2021 prepared by The Forde Firm, LLC;
- Kids First General Ledger Detail Report for the fiscal years ending June 30, 2020 and 2021;
- Kids First Budgets for fiscal years 2020 and 2021;
- Kids First Monthly Submission Reports and Data to the Department for fiscal years 2020 and 2021;
- Kids First Selected Procurement, Monitoring and Invoice Data for fiscal years 2020 and 2021;
- Kids First Payroll Reports for the fiscal years ending June 30, 2020 and 2021;
- Kids First Forms W-3 for 2020, 2021 and 2022;
- Kids First Trial Balance Reports prepared by management for the fiscal years ending June 30, 2020 and 2021;
- Kids First Paycheck Protection Program Loan and Forgiveness Applications;
- Invoices and related supporting documentation for related party expenditures including management fees;
- Clay Behavioral Articles of Incorporation;
- Clay Behavioral Bylaws as amended and restated;
- Clay Behavioral Board of Director Rosters;
- Agreements between Kids First and Clay Behavioral;
- Clay Behavioral Board of Director Meeting Minutes and Packets;
- Clay Behavioral Financial Statements audited by The Forde Firm LLC for the fiscal years ending June 30, 2020 through 2022;
- Clay Behavioral Forms 990 for the fiscal years ending June 30, 2020 and 2021 prepared by The Forde Firm LLC;
- Management Agreement between Kids First and IGD;
- IGD Articles of Incorporation;
- IGD Bylaws as amended;

Kids First of Florida, Inc.
Forensic Examination Supplementary Information
Appendix B – Source Documentation

- IGD Board of Director Rosters;
- IGD Board of Director Meeting Minutes;
- IGD Financial Statements audited by The Forde Firm LLC for the fiscal years ending June 30, 2020 and 2021;
- IGD and Subsidiaries Financial Statements and Additional Information audited by The Forde Firm LLC for the fiscal years ending June 30, 2020 and 2021;
- IGD Forms 990 for the fiscal years ending June 30, 2020 and 2021 prepared by The Forde Firm LLC;
- IGD General Ledger Detail Report for the fiscal years ending June 30, 2020 and 2021;
- 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;
- Vendor Agreement between Integrated Health and Sunshine State Health Plan and Amendments;
- Office of Federal Assistance Management, Division of Grants Policy, External Grants Policy Bulletins related to Salary Cap Limitations; and,
- 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).