



## **COUNTY AUDIT DEPARTMENT**

**REPORT # 416**

**AUGUST 24, 2023**

*An Audit of:*

**HEAD START**

**GRANT ACCOUNTING**



# Cindy Stuart

CLERK OF COURT & COMPTROLLER  
HILLSBOROUGH COUNTY

The Honorable Ken Hagan, Chair  
The Honorable Donna Cameron Cepeda  
The Honorable Harry Cohen  
The Honorable Pat Kemp  
The Honorable Gwen Myers  
The Honorable Michael Owen  
The Honorable Joshua Wostal

August 24, 2023

Dear Commissioners:

The Audit Team performed an audit of the Head Start Grant Accounting processes (**Audit Report #416, dated August 24, 2023**). Responses to the Audit Team's recommendations were received from the Director of Hillsborough County Head Start and Early Head Start Department and have been included in the Report after each audit comment and recommendation.

The purpose of this Report is to furnish management with an independent, objective analysis, and information concerning the activities reviewed. It is not an appraisal or rating of management.

Although the Audit Team exercised due professional care in the performance of this audit, this should not be construed to mean that unreported noncompliance or irregularities do not exist. The deterrence of fraud and/or employee abuse is the responsibility of management. Audit procedures alone, even when carried out with professional care, do not guarantee that fraud or abuse will be detected.

I appreciate this opportunity to be of service to the Board of County Commissioners. I am happy to address any questions that you may have or furnish additional information if desired.

Sincerely,

*Heidi Pinner*

Heidi Pinner, CIA CISA CFE CRMA  
Chief Audit Executive, Clerk of Court & Comptroller

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## EXECUTIVE SUMMARY

### BACKGROUND INFORMATION

Head Start and Early Head Start programs provide support in areas related to early childhood development and education; medical, dental, and mental healthcare; nutritional support; opportunities for parent involvement; as well as family support services specific to men, women, relationships, and expectant mothers. To qualify, recipients must be at or below 100 percent of the Federal poverty level with support being provided for children from birth to five years old.

Funding for the Head Start department is provided through Federal Government grants that are administered through the Department of Health and Human Services (HHS), along with some funding being provided at the local community level.

For the 2023 Fiscal Year (FY23), the Head Start and Early Head Start department had a budget totaling \$46.8 million that is financed by intergovernmental grants. The Head Start department is responsible for managing the grant funds, ensuring funds are spent properly, supervising staff members performing the appropriate duties, reconciling grant funds and ensuring any necessary journal entries are recorded properly and in a timely manner.



Head Start grants are based on a reimbursement basis, meaning they are awarded a set amount each grant year; however, they must submit requests through a Payment Management System (PMS) each month to “drawdown” on those funds from the Grantor. The grants operate on a set timeline and failure to request reimbursements timely can result in the County not receiving the funds.

### OBJECTIVE

The objective of this audit is to determine whether or not Head Start and Early Head Start have effective controls in place to ensure that Grant Accounting processes, procedures and expenditures are appropriate.

### SCOPE

The audit was conducted in conformance with the *International Standards for the Professional Practice of Internal Auditing*. These Standards require that County Audit plan and perform the

audit to obtain sufficient and appropriate evidence to provide a reasonable basis for the audit comments and conclusions based on the audit objectives. County Audit believes that the evidence obtained provides this reasonable basis.

Audit procedures included reviews of grant expenditures and activities from October 1, 2020 to present, interviews with staff within the Head Start and Early Head Start department, Hillsborough County Grant Office and the Clerk's County Finance department.

## OVERALL EVALUATION

The Audit Team conducted interviews and reviewed samples of supporting documents to evaluate the Head Start Grant Accounting process and identified strengths and opportunities for improvement:

### PROCESS STRENGTHS AND SUCCESSES

- Various levels of management, including Management and Budget and the County Administrator, review grants prior to award.
- Annually, Head Start has received awards from the Grantor for the successes the program provides to County Residents.
- The grant closeouts are segregated and performed by County Finance.

### CONTROL IMPROVEMENT OPPORTUNITIES/RISKS

- Monitoring controls are not sufficient to ensure that the closeout of grants is completed timely.
- Accounting entries are not always performed timely, accurately and with adequate supporting documentation.
- Opportunities exist to improve controls around the Event Billing process to ensure payments and corrections are performed in a timely manner.
- Delegates have not always provided consistent, detailed supporting documents to validate expenses as allowable, allocable, necessary and reasonable.
- Opportunities exist to improve the timing of Manual Journal Entries in order to meet grant funding cutoff dates.
- There are not clear procedures for when reconciliations are required to be performed by the department.
- Opportunities exist to improve the efficiency of the assignment of tasks for Head Start financial staff.
- Based on best practice inquiries of other Head Start Administrators, there are opportunities for improvement such as implementing standard operating procedures and ensuring grants remain closed after cutoff dates.
- Recurring accounting issues have not been evaluated for root causes or resolution.
- Staff were identified who have undisclosed employment outside their County employment.

Full testing results are included on page 5 of this Report.

**OPINION**

Control Maturity Levels



The overall control environment relative to the grant accounting process is at an informal maturity level. This means that complete mechanisms have not been established to ensure financial and operational controls are in place to confirm that accounting procedures are consistently and appropriately being performed. Formal, standardized processes and procedures have not been documented or established, tasks are not performed consistently and/or timely, and clarity on certain roles, responsibilities and authorities could be better established by management.

Operating at an informal control level greatly increases the potential for fraud and general financial mismanagement. The Audit Team considered these increased risks in the design of the audit procedures. Direct evidence of fraud was not detected during testing; however, this risk remains elevated as a result of the overall lack of internal controls observed.

Opportunities exist to ensure controls are better established and performed by staff in order to timely and accurately process transactions, identify accounting errors and to ensure that all County and Federal, laws, mandates, policies and procedures are being followed.

The exit conference was held with Hillsborough County Head Start and Early Head Start Department and County leadership on July 19, 2023.

Other minor concerns not included in this Report were communicated to management and/or corrected during fieldwork.

**Response received from audit client:**

***High level of risk on the potential for fraud: The County Finance Department, ESQA, and Head Start Department implement several Policies and Procedures (P&P) which ensure a controlled environment for fraud prevention. Against the background of these P&Ps, we agree that a better understanding and clarification on systems of control will be implemented towards operation.***

Heidi Pinner, CIA, CISA, CFE, CRMA, Chief Audit Executive  
 Matthew Demler, CIA, Audit Manager  
 Terrell Alston, Internal Auditor

**AUDIT COMMENT 1: NEGATIVE EQUITY IN POOLED CASH**

**HEAD START OUT  
OF BALANCE  
ACCOUNTS**

**FY2020, FY2021,  
FY2022**

**Negative balances  
observed for Equity  
in Pooled Cash.**

**Oracle is the official accounting system of record for all Board of County Commissioner’s Offices. Account balances should reconcile between the General Ledger and Subsidiary Ledger (Sub Ledger) when used. QuickBooks should not be used for record keeping.**

The objective was to review negative equity in pooled cash and to determine whether or not entries were properly recorded and if the timing of entries was appropriate and timely.

Background

Annually, County Finance must finalize the accounting records within the Oracle accounting management system. This process consists of reviewing account entries to ensure that there are no unreconciled items, final journal entries have been posted and any necessary accruals have been completed. County Finance provides this information in a pamphlet which includes dates for when certain tasks must be completed and the last day to submit any requests to make any further adjustments. Once grants are closed out, no additional entries are authorized or should be recorded. Oracle is the official and only record of financial data the County maintains and accounts should be accurately stated.

During the recent annual fiscal close, Head Start grant accounts were identified that had negative balances, including the Equity in Pooled Cash. The grants had been closed for fiscal years (FY) 2020 & 2021 based on the cutoff dates established by County Finance. Fiscal year 2022 also had a negative Equity in Pooled Cash balance; however, the grant year was still open. Having negative balances in in the Equity in Pooled Cash account is indicative of funds having been expended without timely reconciliation or reimbursement.

Test Procedure

The Audit Team conducted interviews with staff members from Head Start, County Finance & Enterprise Solutions and Quality Assurance (ESQA) to obtain an understanding of how the year end close process occurs and entries are recorded in the system. Email correspondence, policies and procedures and Federal Grant guidelines were reviewed by the Audit Team to

gain an understanding of how the Head Start accounting process was operating at the time of the review compared to the standards in place.

Using the information provided, the Audit Team performed testing to determine whether or not the entries were being properly recorded in the Oracle financial system and whether or not the timing of entries was appropriate and timely.

## TESTING RESULTS

The following observations were identified during the Audit Team's review:

- Grants had previously been left open to allow Head Start to make adjustments outside of the grant year.
- Grants have been closed by County Finance with previously unreconciled variances remaining in Oracle.
- A request by the Head Start department was made to the Grantor to authorize the reopening of grants to make adjusting entries. The Grantor denied the request due to the belief there were internal accounting issues that needed to be resolved.
- For the fiscal years 2020 through 2022, all years had grant funds that showed negative Equity in Pooled Cash. At the time of the audit, those negative cash balances totaled \$(7,685,934.32). The grants current balances are \$(1,852,558.44).
- Entries were identified that were submitted late, had incorrect information and/or did not follow proper County accounting processes & procedures, along with violating Generally Accepted Accounting Principles (GAAP).
- On June 3, 2021, a consent agenda item was approved by The Board of County Commissioners to allow for two of the grants to be reopened temporarily to record an entry to true up the reconciling issues related to the Negative Equity in Pooled Cash in the amount of \$2,882,715. This entry was needed due to the department not recording an entry prior to the grant being closed out. The grantor denied the request stating there were internal control issues.
- A \$2,222,852.07 adjustment was identified during the FY2020 Single Audit by the External Audit firm where funds were not collected within the County's period of availability. The County has a Revenue Recognition period of 180 days after year-end. This adjustment reduced the FY2020 revenue and moved it to unavailable revenue. Typically, all encumbered expense invoices are received by November and should allow time to request any outstanding reimbursements from the Payment Management System within the allotted 180 days.
- Although a repeat finding from the 2017 External Single Audit has not been identified related to insufficient internal controls for reporting the Schedule of Expenditures of Federal Awards (SEFA) and the Schedule of Expenditures of State Financial Assistance (SESFA), some of the root causes and contributing factors noted throughout this review continue to play a role in recording entries timely and accurately and could contribute to improper Federal reporting, including the use of external accounting software.

- It was determined through discussions and invoice review that Head Start is currently using an external accounting program (QuickBooks) to maintain records for reporting to the Federal Grantor.

## RECOMMENDATION

Head Start should:

- Determine the root cause of the accounting issues in order to ensure they have been properly resolved.
- Seek additional training and evaluate staffing needs and assignments to resolve long term accounting discrepancies and prevent reoccurrences.
- Establish Standard Operating Procedures (SOP) for ensuring Head Start has set completion dates for specific tasks, including but not limited to, year-end close procedures.
- Work with County Finance on an ongoing basis to ensure any accounting questions or concerns, along with specific grant guidelines are agreed upon to ensure specific completion dates are met.
- Discontinue the use of a second set of accounting records and ensure that Oracle is the system of record and all accounts are completely and accurately stated for year-end reporting.

### **CLIENT RESPONSE:**

*Concur*

### **CORRECTIVE ACTION PLAN:**

*To avoid a negative cash balance on a month-to-month basis, we will provide journal entries to record cash matches, and we will process monthly event billing to reflect ARs, including specific Oracle-related accounting guidelines as accurately stated for year-end reporting. Additionally, the Department will enhance existing Standard Operating Procedures (SOP).*

### **TARGET COMPLETION DATE:**

*Effective Immediately through to November 1, 2023.*

**AUDIT COMMENT 2: EVENT BILLING DOCUMENTATION**

**HEAD START  
EVENT BILLINGS  
FOR GRANT  
YEARS 2020 AND  
2021**

**91 Event Billings  
identified**

**13 Samples tested**

**Five (5)  
exceptions**

The majority of grants received by Head Start are cost-reimbursable. Requests must be made timely for reimbursement of grant funds to cover BOCC expenses incurred.

The objective was to determine whether or not the Event Billing entries appeared to be appropriate and timely.

Background

Timely and accurate invoicing (Event Billing) to the Federal Grantor is critical to the overall success of a project and having accurate account balances stated in Oracle. The County receives grant revenue as expenses are incurred. The majority of grants for the County are cost-reimbursable, meaning the County is reimbursed after the expenditures have been paid. Once expenses have been incurred, a request to drawdown funds is made using the Event Billing process.

Reimbursement requests should be submitted once a reconciliation has been completed. Routine account reconciliations are critical to confirm the accuracy of account balances and ensure that funds requested for drawdown are accurate.

Test Procedure

The Audit Team obtained a data set of all Event Billings for the grant years 2020 and 2021. The Audit Team selected a random sample of 11 Event Billing transactions as well as judgmentally selecting two samples that were for corrections to Event Billings. This resulted in a total of 13 samples being tested.

The Audit Team performed the following steps to confirm whether or not Event Billings appeared appropriate and were completed timely:

- Determined when the drawdowns were performed.
- Reviewed the dates the request was made and the drawdown dates to determine if they were performed in a timely manner.
- Reviewed supporting documentation to determine if Event Billings appeared to be appropriate and had the appropriate support.

- Reviewed the Event Billing process to determine whether or not the process is efficient and effective and whether any changes had been implemented since the period reviewed.

## TESTING RESULTS

The Audit Team identified:

- Several Event Billings that were not recorded in the appropriate grant & fiscal year and were not properly followed up on in a timely manner. For these instances, County Finance had to repeatedly remind Head Start accounting staff to correct the issue and corrections were not processed for several months.
- Reconciliations are required prior to requesting funds from the grantor. There were instances where the Event Billings were created prior to the department performing their reconciliation review.
- The Event Billing process has been performed by administrative staff rather than accounting personnel.
- The Event Billing process lacks sufficient monitoring controls to ensure requests for payments are complete, accurate and received by the County from the Grantor.
  - This included not creating an Event Billing timely during the year-end close process, resulting in the funds not being recorded in Oracle in the grant year and having to make a request with the grantor to reopen the grant. The grantor denied the request stating it was due to internal control issues.
  - There was another instance where an error occurred and was identified in December 2019, but was not followed up on and resolved until October 2020.
- The Event Billing correction process is lacking proper follow-up, accounting controls and monitoring controls to ensure errors are identified and corrected in a timely manner.

## RECOMMENDATION

Head Start should complete the following:

- Establish monitoring controls to ensure Event Billing and Event Billing corrections are being performed in a timely manner.
- Establish appropriate procedures to follow up on the Event Billing and Event Billing corrections process to ensure completeness and accuracy of work performed.
- Perform reconciliations prior to creating Event Billings to ensure that the amount being requested from the Grantor is accurate.
- Develop SOPs to ensure the Event Billing process is performed accurately, along with providing documented Event Billing training to staff. Have set deadlines to complete training and monitor on a regular basis for compliance by staff.
- Ensure staff are performing duties that are commensurate with their job duties. Ensure accounting staff have appropriate access to necessary systems to perform work related tasks.

**CLIENT RESPONSE:**

*Concur*

**CORRECTIVE ACTION PLAN:**

*The Head Start Team will monitor Event Billings and ensure that corrections are performed in a timely manner, and with completed accuracy of work. Additionally, the Department will enhance staff training on existing Standard Operating Procedures (SOP).*

**TARGET COMPLETION DATE:**

*Effective Immediately through to November 1, 2023.*

**AUDIT COMMENT 3: PAYMENTS TO DELEGATES**

**DELEGATE PAYMENTS**

**100%**  
**Matched a PO or invoice**

**45%**  
**Had proper documentation for reimbursement**

**91%**  
**Were processed in a timely manner**

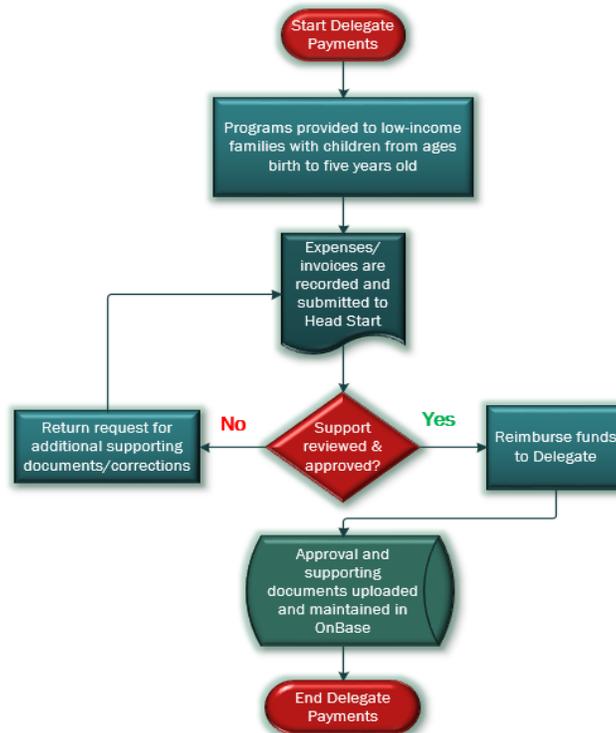
**55%**  
**Could be confirmed as allowable, allocable, necessary and reasonable.**

There are three main Hillsborough County-Delegated Head Start Agencies: Tampa Metropolitan Area YMCA, Lutheran Services Florida and the Hillsborough County School District.

The objective was to determine whether or not payments to County-Delegate Agencies (Agencies) are being processed in a timely manner and if the expenditures appeared to be allowable, allocable, necessary and reasonable.

Background

Agencies provide programs to low-income families with children ages from birth to five years old. The Agencies incur expenses which are then provided to the Head Start accounting department each month. The County is responsible for reviewing invoices from the Agencies in order to ensure that expenses are appropriate. The graphic below depicts this process.



### Test Procedure

The Audit Team obtained a list of payments made from October 1, 2020 to June 2022 to the Agencies. The Audit Team then selected and reviewed samples of invoices. The Audit Team reviewed the supporting documents to determine:

- If the amount paid matched the invoice amount.
- If items were allowable, necessary and reasonable to support the function.
- Whether or not sufficient supporting documentation was submitted and retained.
- That there was evidence of department review.

## TESTING RESULTS

The Audit Team determined the following:

- There were instances where Delegate Agencies did not consistently provide their invoices to accounting staff by the due date in order to make timely payments.
- A defined process or checklist is not used to identify what items should be included with each invoice packet.
- The Hillsborough County School Board does not provide all pages of support for their monthly invoice submissions requesting reimbursement. There were also no records of periodic reviews being performed of the full support or random samples to ensure invoiced amounts were reasonable.
- One payment was made to a delegate past the 45 day window required by the Florida Prompt Payment Act.
- A portion of a September 2020 payment in the amount of \$478,612.40 was paid for October 2020 payroll expenses which appears to have been made using funds from the incorrect grant year. Documentation does not include support explaining why payroll expenses incurred in October 2020 were included with a payment for September 2020.

## RECOMMENDATION

Head Start should:

- Establish SOPs and a process checklist for reviewing and confirming supporting documentation is complete and accurate to support invoice amounts.
- Consider requesting documentation on a more frequent basis in order to review expenses more timely rather than all at once.
- Ensure that sufficient and detailed supporting documentation from each delegate is provided to accounting staff to allow them time to validate that expenses are allowable, allocable, necessary and reasonable.
- Document the process used for periodic reviews of Delegate Agencies' full invoice support to ensure that it is reasonable and performed consistently.

- Consider whether or not any portion of the payment review process can be automated. For example, requesting Delegate Agencies to begin providing support via Excel in order to provide summaries of expenses.
- Ensure that payments are made using funds from the appropriate grant year and include all necessary supporting documents to justify approved payments.

**CLIENT RESPONSE:**

*Concur*

**CORRECTIVE ACTION PLAN:**

*As recommended by the Office of Head Start (OHS), expenses will be reviewed against the approved budget narrative, which establishes that expenses are allowable, allocable, reasonable, and necessary. Additionally, the Department will enhance staff training on existing Standard Operating Procedures (SOP).*

**TARGET COMPLETION DATE:**

*Effective Immediately through to November 1, 2023.*

**AUDIT COMMENT 4: MANUAL JOURNAL ENTRIES**

**MANUAL JOURNAL ENTRIES**

**Grant years reviewed**

**2020, 2021, 2022**

**Manual journal entries tested**

**15**

**Manual journal entries are used to record and adjust financial transactions that were not automatically recorded.**

The objective was to determine whether or not manual journal entries (JE) were appropriate and had a legitimate business purpose.

Background

Manual journal entries are used for several reasons, including:

- To record adjusting entries when necessary, due to errors.
- When an entry needs to be moved from one account to another.
- To record certain types of revenues and expenses such as donations, County Cash Match or payroll adjustments.

Manual journal entries are inherently risky and therefore when used, should be sufficiently supported by documentation maintained in OnBase. Manual journal entries should also be completed in a timely manner to ensure that when reconciliations are performed, any variances can be easily identified.

Test Procedure

The Audit Team obtained activity reports of manual journal entries to grant funds for grant years 2020, 2021 and 2022 to review supporting documents for appropriateness and purpose. Using the activity reports, the Audit Team judgmentally selected fifteen (15) manual journal entries in order to review the supporting documentation.

The Audit Team reviewed the documentation to determine the purpose of the entry and additional inquiry and follow up was performed as necessary.

**TESTING RESULTS**

Manual journal entries do not appear to be recorded timely, controls do not appear to be in place to properly confirm when

payroll adjustments are needed and proper support is not always included with the entry.

Audit Team observations included:

- Entries that had vague explanations about why the entry was needed.
- Adjusting entries needed due to improper accounting strings being used to record entries.
- Journal entries that did not have appropriate evidence of a review and approval prior to processing.
- Journal entries being prepared by staff without proper training and/or job knowledge.
- An in-kind expense that was reimbursed to a delegate agency for an amount in excess of their stated budget amount. Documentation explaining why the total amount reimbursed was in excess of the budget was not included. In this instance, the budget stated the in-kind should have been \$366,773.25 for FY 2021 but the actual reimbursement from the County for in-kind services was \$587,500.05.
- Manual entries not being recorded in a timely manner to comply with month/year end close processes.

## RECOMMENDATION

Head Start should take the following corrective actions:

- Properly identify which accounting strings should be used when recording expenses using the various grant funds. Limit the number of manual journal entries and include complete and accurate support to explain the business purpose when manual entries are needed.
- Develop SOPs related to proper utilization of the General and Sub Ledger and requirements for recording manual journal entries. Ensure that roles and responsibilities are clearly outlined.
- Ensure that entries are recorded within the appropriate fiscal and grant years are completed in a timely manner to ensure all records are accurate.

### **CLIENT RESPONSE:**

*Concur*

### **CORRECTIVE ACTION PLAN:**

*The Head Start Team will work on including additional narratives to ensure understanding by a broader audience. The department will also implement and use an internal review process ensuring individuals are granted rights and access to modules in Oracle based on assessed job knowledge and qualifications. Additionally, the department will enhance staff training on existing Standard Operating Procedures (SOP).*

### **TARGET COMPLETION DATE:**

*Effective Immediately through to November 1, 2023.*

**AUDIT COMMENT 5: RECONCILIATION REVIEW**

**RECONCILIATIONS**

**Grant years reviewed  
2021 and 2022**

**Variations were identified within support**

**5 periods tested**

**Each period contained at least one error**

**Expense reconciliation is performed to identify variances between the Oracle General Ledger and the Project Sub Ledger.**

The objective was to determine whether or not the reconciliation process performed by Head Start is appropriate, timely and accurate and has proper internal controls in place to identify and resolve variances.

Background and Criteria

Reconciliations are a control used to review details between two different data sources in order to identify variances between the two and determine the root cause. Variances should be clearly documented with complete and accurate support. When necessary, accruals and/or any necessary adjusting journal entries should be made.

Reconciliations should be performed at different frequencies based on the materiality of the accounts being reviewed, but are typically performed monthly and during the year-end close process at a minimum. Actual frequency is based on department policies and procedures, but should have a set start and end date and be performed within the standards of Generally Accepted Accounting Principles (GAAP).

Test Procedure

The Audit Team obtained reconciliations for grant years 2021 & 2022. General ledger and Sub Ledger support used in reconciliations was reviewed to determine whether or not variances identified appeared reasonable, supporting documentation was adequate and if the review and any necessary adjusting journal entries were completed timely. If variances were identified during the reconciliation process, the support was reviewed to determine if a root cause was determined and if the variance had a legitimate business purpose.

## TESTING RESULTS

The Audit Team reviewed five (5) reconciliations completed by accounting staff. All reconciliations tested had at least one error identified, including:

- Reconciliations that were not performed with a standard start and end date. Dates appeared haphazardly selected to perform reviews of the accounts, which causes issues with reconciling variances from one month to the next.
- Reconciliations which did not have appropriate evidence of a review or approval by Head Start management.
- Three reconciliations which were not completed in a timely manner. All three were ultimately signed by the preparer in July 2022, after the items were requested for our audit, and were for dates prior to May 2022.
- Variances which did not include appropriate or accurate support to justify the cause of the discrepancy.
- Variances which were noted but not resolved by management. The same notes were carried forward from month to month with no resolution identified.
- Variances that did not include detailed notes explaining what caused the imbalance between the general and sub ledger.
- Notes that were not in sequential order and/or may not have had a note associated with the variance.

For all reconciliations reviewed, the Equity in Pooled Cash account was not included with the reconciliation. Equity in Pooled Cash carried a negative balance for all the grant years reviewed.

## RECOMMENDATION

In order to ensure revenues and expenses are accurately stated in Oracle and on the annual financial disclosures, Head Start should implement the following:

- Perform reconciliations on a monthly basis to ensure timely and accurate account information. Any adjusting journal entries required should be performed by management in a timely manner.
- Include complete and accurate documentation with reconciliations to ensure that variances are identified and resolved in a timely manner.
- Identify key accounts that should be reconciled and ensure they are included during the monthly reconciliation process.
- Ensure that both the preparer and approver evidence that they completed their responsibilities and the date performed.
- Develop documented procedures related to the monthly and annual reconciliation process, including having set dates for when tasks should be completed. Using SOPs, provide necessary staff with training on implementation and requirements.

**CLIENT RESPONSE:**

Concur

**CORRECTIVE ACTION PLAN:**

*The Head Start Department established quarterly reconciliation timelines to align with the Federal Governments Quarterly Federal Cash Transaction Report. However, we will move to implement monthly reconciliations; make efforts to implement standard start and end dates and request additional information to complete the final reconciliations. Additionally, the department will enhance staff training on existing Standard Operating Procedures (SOP).*

**TARGET COMPLETION DATE:**

*Effective Immediately through to November 1, 2023.*

**AUDIT COMMENT 6: HEAD START STAFFING REVIEW**

**HEAD START STAFFING**

**Some staff are performing duties beyond their assigned role**

**Some staff have insufficient Oracle system access**

**Staff training opportunities exist and required trainings were missed**

**Head Start staff need the necessary grant accounting knowledge and skills to operate effectively and efficiently. Outside businesses and/or financial interest in organizations should be disclosed.**

The objective was to obtain an understanding of the roles and responsibilities of department staff and determine whether or not staffing and skillsets were sufficient to meet the demand for the grant accounting process.

Background & Test Procedure

The Audit Team held meetings with the department’s financial staff to gain an understanding of their roles and responsibilities in the grant accounting process and to determine whether or not the staff role was commensurate with their job responsibilities and training. Inquiries were made with various levels of staff and in varying roles and responsibilities. Interviews with staff included questions regarding their workloads, what job functions they performed and what their typical day to day tasks were within the department.

As part of the review, the risk of a potential conflict of interest was noted by the Audit Team. Additional testing was performed to identify any employment by staff outside of regular employment. Necessary follow-up was performed with BOCC Human Resources (HR) to ensure that outside interests were disclosed according to County policy.

**TESTING RESULTS**

**Interviews with Staff**

The Audit Team identified instances where employees believed there were opportunities for improvement within the department. This included, but was not limited to:

- Ensuring that necessary training is completed annually and that the training is appropriate for the employee’s position.
- Concerns that annual required grant training has not been completed timely in the past.

- The belief that there are redundancies in some processes and no overlap or cross training in others. Lack of cross training has resulted in staff not being able to cover other tasks when others are out of office.
- Working arrangements which appeared to cross different functions and workloads which were strained as a result.
- Staff needing “workarounds” to gain access to certain reports or to perform daily tasks because their system assigned roles did not align with their actual functions.
- Job duties which were not always commensurate with job titles, position requirements and training.
- Processes for making purchases that are cumbersome and have resulted in purchasing delays.

### **Conflict of Interest (COI) / Outside Employment Review**

The Audit Team accessed Florida’s online business tracking system, SunBiz, to search for associated businesses using the last name function. An employee was identified as having an active private business and a 501(c) (3) charitable organization. A second employee was identified as having an active real estate license associated with an agency. The Audit Team followed up with BOCC HR regarding whether or not disclosures were made regarding these potential business interests. It was determined this information was not on record at the time of the inquiry.

## **RECOMMENDATION**

Head Start should consider the following:

- Review staffing needs and skillsets to determine whether or not current levels and assignments are adequate or if additional or repurposed resources would benefit department operations.
- Review current duties and ensure they are in alignment with department goals.
- Determine if system access is appropriate for staff to perform their day-to-day job functions as seamlessly as possible. Work with staff to determine if there are opportunities to make tasks more efficient.
- Ensure that all necessary trainings required by laws, policies and/or procedures are completed within the appropriate calendar year. Document which trainings must be completed by all staff and track to ensure compliance.
- When there is a secondary employment or financial interest in a business or not for profit, employees must disclose that information to department management and HR to ensure there are no conflicts of interest.

**CLIENT RESPONSE:**

*Concur*

**CORRECTIVE ACTION PLAN:**

*As recommended, the Head Start Department will review staffing needs and skillsets to determine the adequacy of resources. We will identify current duties towards alignment with organizational charts and departmental goals. The disclosure of secondary employment information to HR management will be maintained to ensure there are no conflicts of interest. Job duties will be revisited to always remain commensurate with job titles, position requirements, and training regarding staff performing certain tasks outside their system assigned roles and/or actual functions. Additionally, the department will enhance staff training on existing Standard Operating Procedures (SOP).*

**TARGET COMPLETION DATE:**

*Effective Immediately through to November 1, 2023.*

**AUDIT COMMENT 7: AFTER THE FACT PAYMENTS**

**PAYMENTS PROCESSED IN VIOLATION OF PROCUREMENT MANUAL PROCEDURES**

**Three After-the-Fact payments processed**

**Opportunities to identify & monitor vendors used**

**Procedures are in place for obtaining products and services from vendors and contractors. Using After-the-Fact payments should be kept to a minimum.**

The objective was to perform a review of After-the-Fact payments made to vendors and to determine the reasons for payments.

Background & Test Procedure

After-the-Fact payments occur due to a vendor having already provided their services for the County; however, a contract is either not in place, has expired, has run out of funding, or where the vendor is used but has not been approved. When vendors are used that don't have contracts in place, the department must use the After-the-Fact procurement process to obtain management and Board approval for the vendor to be paid for the unauthorized purchase.

The County Audit Department is included on emails whenever an After-the-Fact payment is made by BOCC Departments. A review of any After-the-Facts was performed during the course of the audit.

**TESTING RESULTS**

For the period reviewed, the Audit Team identified at least three After-the-Fact or Unauthorized Procurement payments that had been requested and approved by the Board with a combined value of \$83,492.44. These exceptions occurred due to agreements expiring and approvals not obtained prior to purchase. The following reasons were included on the support about why the payments were needed:

- Two of the three payments occurred due to contracts expiring and not being renewed timely due to staffing issues and teacher shortages.
- One purchase was for an internal investigation that needed to be performed immediately. The amount invoiced was determined to be reasonable based on having used the vendor previously and charges being in alignment with rates previously charged.

**RECOMMENDATION**

Management should develop, document and implement procedures to:

- Monitor contracts for their expiration dates and remaining funds available to ensure that when an Invitation to Bid is needed or funds have been depleted, any requests are submitted to Procurement timely.
- Ensure that information provided to Procurement Services for new contracts is complete and accurate prior to uploading to Oracle for vendors to submit their bids.
- Provide secondary review and approval of Invitation to Bids to verify the request is complete and accurate.
- Monitor contract terms after implementation to ensure compliance with requirements outlined in agreements. Additionally, provide training when noncompliance has been identified.

**CLIENT RESPONSE:**

*Concur*

**CORRECTIVE ACTION PLAN:**

*The Head Start Department will monitor contracts for their expiration dates. We will implement training and compliance processes with requirements outlined in agreements. Additionally, the Department will enhance staff training on existing Standard Operating Procedures (SOP).*

**TARGET COMPLETION DATE:**

*Effective Immediately through to November 1, 2023.*

**AUDIT COMMENT 8: BEST PRACTICES SURVEY RESULTS**

**Best Practices Opportunities**

**SOPs are commonly maintained for grant close out procedures**

**Administrators do not traditionally reopen grants and require reasonable justification for exceptions.**

**Best practices should be used by all departments when applicable and reasonable to implement.**

To obtain input on best practices currently in place at other Head Start administrator offices, the Audit Team surveyed five offices, including Hillsborough County’s Head Start office, to determine:

- Whether or not the Hillsborough County Head Start department is operating in a similar fashion as other offices.
- If there are areas of opportunity to improve operations and increase efficiency.
- How other offices handle the grant closeout process.
- What common accounting practices are in use, including manual journal entries and reconciliations.

**RESULTS**

- **Four of the five Head Start Administrators surveyed maintained accounting SOPs and formal procedures to close out grants.**

Hillsborough County does not maintain formal procedures.

- **Four of the five have set cutoff dates for when they can no longer record entries.**

Hillsborough County previously allowed entries on an as needed basis, but has now implemented appropriate cutoff dates.

- **Most respondents record cash matches as they are received.**

Hillsborough County records matches as received.

- **Respondents had set reconciliation frequencies and all stated they perform reconciliations prior to requesting a drawdown.**
  - Two perform reconciliations monthly.
  - One performs reconciliations quarterly, but monitors cash daily.
  - One does not utilize a sub ledger and therefore has no need for reconciliations.

Hillsborough County is not consistently performing reconciliations.

- **A variety of accounting systems are utilized by respondents.**
  - Three respondents use a specialized grant accounting system.
  - One uses only their General Ledger.

Hillsborough County currently uses Oracle GL and sub ledgers for official recordkeeping, as well as QuickBooks at the department level.

- **All respondents have processes in place for performing drawdowns from the Payment Management System.**

Hillsborough County utilizes current and prior GL balances to determine drawdowns.

- **All other respondents have specified requirements for recording manual journal entries.**

Hillsborough County has no formal requirements and inconsistent practices for recording manual journal entries.

- **Most respondents have committees, specified teams and/or processes in place to resolve any grant accounting issues, questions or concerns between departments.**

Hillsborough County would benefit from a more cooperative relationship between departments involved in the Head Start accounting processes.

## RECOMMENDATION

The following should be considered by Head Start based on the input provided:

- Partner with County Finance and ESQA to implement Standard Operating Procedures in alignment with County procedures and adopt best practices as applicable.

- Discuss with IT about whether or not there are systems that could be used for grant management, or if Oracle Cloud has additional capabilities for grant management in order to eliminate the need for QuickBooks.

**CLIENT RESPONSE:**

*Concur*

**CORRECTIVE ACTION PLAN:**

*The Head Start Department will advance partnerships with County Finance and ESQA to implement tougher alignment with County procedures and to adopt best practices as applicable. For example, Quick Books will be used only for maintaining records on classroom supplies and consumables, and not to maintain any grant accounting or Federal Grant reporting information. Also, reopening grants will occur with reasonable justifications and/or exceptions. Additionally, the Department will enhance staff training on existing Standard Operating Procedures (SOP).*

**TARGET COMPLETION DATE:**

*Effective Immediately through to November 1, 2023.*