



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

Ron DeSantis
Governor

Shevaun L. Harris
Secretary

July 25, 2024

Jenn Petion, Chief Executive Officer
Family Support Services of North Florida
1300 Riverplace Boulevard, Suite 700
Jacksonville, FL 32207

RE: DJ038 - FY 2023-2024, Notice of Forensic Examination Findings and Corrective Action Plan Request

Dear Ms. Petion,

Thomas Howell Ferguson P.A. ("THF"), was engaged by the Department to perform a forensic examination concerning the financial records of Family Support Services of North Florida, Inc. (FSSNF), 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 FSSNF and department personnel. A summary of the report is contained below, please see the attached document for the full report:

Although various related party relationships existed and various related party transactions occurred during the analysis period, the analysis performed supports that all such amounts were properly procured, funded with unrestricted funds that were in place before the analysis period, and/or were not material to FSSNF's operations. As a result, there are no findings communicated in this report.

Subsequently, there is no Corrective Action Plan (CAP) required.

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

Sincerely,

A handwritten signature in black ink, appearing to read "Kate Williams".

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

CC: Chad Barrett, Assistant Secretary for Administration
Melissa Walker, Community Director
Contract File

State of Florida
Department of Children and Families

**Report of Forensic Accountants
Family Support Services of North Florida, Inc.**

July 1, 2019 through June 30, 2021

State of Florida
Department of Children and Families

Report of Forensic Accountants
Family Support Services of North Florida, Inc.

July 1, 2019 through June 30, 2021

Table of Contents

Report of Forensic Accountants

Terms of the Engagement	1
The CBC and its Related Parties.....	1
Procedures.....	3
Summary of Findings and Observations.....	4
Summary of Questioned Costs.....	4
Summary of Recommendations and Observations	4
Closing	5

Report of Forensic Accountants

To the State of Florida
Department of Children and Families

Terms of the Engagement

Thomas Howell Ferguson P.A. (THF) performed forensic accounting consulting services as requested by the State of Florida Department of Children and Families (the Department) under purchase order C26F00 with respect to Family Support Services of North Florida, Inc. (FSSNF) for the period July 1, 2019, through June 30, 2021 (the Analysis Period). The services requested by the Department are outlined in Request for Quote DCF RFQ 2122 045 and the attachments thereto (collectively, the RFQ) as well as THF's response to the RFQ and the above-mentioned purchase order (together with the RFQ, our Agreement). We conducted the engagement in accordance with the terms of our Agreement and the *Statement on Standards for Consulting Services* promulgated by the American Institute of Certified Public Accountants.

This report, including the information contained within the reporting package as outlined in the Table of Contents, is intended to satisfy Attachment A, Scope of Work, Deliverable 4.2.2. of our Agreement.

The CBC and its Related Parties

During the Analysis Period, FSSNF operated under contract DJ038 with the Department, as amended from time to time (DCF Contract DJ038). FSSNF is a not-for-profit corporation organized in the state of Florida in 2001 (reorganized in 2010). FSSNF is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code (IRC), except on net income from business activities unrelated to the purpose for which the tax exemption was granted, pursuant to an Internal Revenue Service (IRS) determination letter. FSSNF has its own Employer Identification Number (EIN).

Refer to Table I for the contractual amounts paid to FSSNF by the Department during the Analysis Period. Per the consolidated audited financial statements of Family Support Services of North Florida, Inc. and its affiliate FSS Foundation, Inc. f/k/a Family Support Services, Inc. (the Foundation), FSSNF recognized the majority of its revenue from DCF Contract DJ038 during the years ended June 30, 2020 and 2021.

Table I
DCF Contract DJ038 Amounts Paid to
FSSNF During the Analysis Period¹

Years ended June 30,		Total
2020	2021	
\$60,263,807	\$62,072,525	\$122,336,332

FSSNF has multiple affiliates and/or other related parties, principally including the following:

1. FSS Foundation, Inc. f/k/a Family Support Services, Inc. (the Foundation), a Florida not-for-profit corporation organized in 2010 that was exempt from federal income taxes under Section 501(c)(3) of the IRC pursuant to an IRS determination letter. Per FSSNF's consolidated audited financial statements for both years during the Analysis Period, the Foundation (formerly Family Support Services, Inc.) was incorporated on April 21, 2010, exclusively organized for the benefit of, to perform the functions of, or to carry out the purposes of Family Support Services of North Florida, Inc. or other substantially similar institutions. The name of this corporation was changed to FSS Foundation, Inc. effective February 18, 2019. FSSNF and the Foundation were under common control through their shared executive leadership and Board membership. The Foundation had its own EIN and filed its own Form 990. The Foundation was administratively dissolved by Florida's Secretary of State on September 22, 2023.
2. Community Based Care Innovative Technologies, LLC (CBC-IT), a Florida limited liability company organized in 2014 as a partnership between Five Points Technology Group, Inc. (Five Points) and Embrace Families, Inc. f/k/a CBC of Central Florida, Inc. (Embrace). This partnership was created to develop innovative technological solutions to support various aspects of a case manager's responsibilities. The Foundation purchased a 33.3% stake in CBC-IT in December 2017 for \$225,000. The Foundation held that non-controlling partnership interest in CBC-IT during the Analysis Period. Related to the Analysis Period, the Foundation entered into a Management and Administrative Services Agreement (the Services Agreement) with CBC-IT in June 2018 to provide various administrative services to CBC-IT, including, but not limited to, accounting and finance services, H/R support services, IT and data management support, and general administrative and office support services. There were limited expenses incurred and limited revenues received by the Foundation related to CBC-IT. The Services Agreement was assigned from the Foundation to Embrace upon the Foundation's redemption of its ownership interest in CBC-IT and its exit from its equity position in such entity on November 1, 2021.

¹ Amounts are shown gross and have been reconciled to FLAIR.

3. Five Points Technology Group, Inc. (Five Points), a for-profit corporation organized in Florida. Five Points was an equal partner with the Foundation and Embrace in CBC-IT during the Analysis Period. Five Points is a statewide IT provider for lead agencies that provides proprietary internal web-based database systems (CareMatch and CoBRIS) that have been customized to the needs of its CBC customers. FSSNF contracted with Five Points for ongoing software maintenance and operation for these services totaling approximately \$70,000 and \$66,000 during the fiscal years 2020 and 2021, respectively. Due to the contractual relationship between FSSNF and Five Points, the common control relationship between FSSNF and the Foundation, and the equity investment relationship between the Foundation and Five Points as related to CBC-IT, it appears that Five Points and FSSNF are related parties under applicable accounting and procurement rules and regulations. FSSNF appears to have adhered to its procurement policies as required under the Uniform Guidance as related to the services it obtains from Five Points.
4. FSS Casualty Insurance Company, LLC (FSS Insurance), a Florida limited liability company organized on or about May 14, 2014, that was intended to ultimately become a 501(c)(3) organization. This entity was created in consideration of partnering with several other community-based care Lead Agencies to form a non-profit captive commercial insurance company for use by various of Florida's CBCs. FSSNF itself engaged in no transactions with FSS Insurance. The Foundation created FSS Insurance by filing its Articles of Organization and listing itself as FSS Insurance's sole member. FSS Insurance was kept active for several years until it was administratively dissolved by Florida's Secretary of State on September 27, 2019.

Procedures

The RFQ outlines specific Service Tasks to be completed by THF regarding the CBC. Service Tasks 4.1.1.1.1. through 4.1.1.1.7. were completed without material exception, including (1) reviewing DCF Contract DJ038, (2) interviewing Department personnel, (3) gaining an understanding of the Department's contract payment process, (4) testing the CBC's submitted invoices for adjustments to reflect material differences between actual expenditures and amounts advanced by the Department, (5) testing the OCA Summary and Detail reports for material agreement to the CBC's Monthly Actual Expenditure reports, (6) testing the CBC's Monthly Actual Expenditure reports for material reconciliation to the CBC's general ledger subject to any differences being resolved to the Department's satisfaction, and (7) testing the CBC's deferred revenue, if any, for proper return to the Department if applicable.

Following completion of those initial tasks, THF was directed under Service Tasks 4.1.1.2. and 4.1.3. to perform additional forensic accounting consulting procedures related to the CBC's related parties. The findings, observations, recommendations, and other conclusions presented herein, if any, are a result of those additional procedures.

The additional forensic accounting consulting procedures included gaining an understanding of (1) FSSNF's and the Foundation's legal and organizational structures, (2) FSSNF's and the Foundation's operations, (3) the general procurement policies of FSSNF and, as applicable, the Foundation, (4) the procurement of services from FSSNF by related parties and vice versa, and (5) the operations and legal structures of CBC-IT and FSS Insurance. Such procedures also included asking questions of FSSNF, receiving responses from authorized FSSNF personnel, and analyzing such responses, in addition to receiving and analyzing financial documents for FSSNF, the Foundation, CBC-IT, and FSS Insurance, as well as asking questions of and receiving guidance from the Department.

Our Agreement included other related or incidental Service Tasks, all of which were completed without material exception.

Summary of Findings and Observations

Although various related party relationships existed and various related party transactions occurred during the analysis period, the analysis performed supports that all such amounts were properly procured, funded with unrestricted funds that were in place before the Analysis Period, and/or were not material to FSSNF's operations. As a result, there are no findings communicated in this report.

Details provided by CBC management indicate limited allocations and activity regarding the services performed by the Foundation for CBC-IT under the Services Agreement. Support concerning the allocation methodology for FSSNF payroll used under this contract was limited due to changes in the staff performing this function since the Analysis Period. We considered the risk for fraud and misstatement regarding this allocation of time from FSSNF to the Foundation to be minimal. As such, there are no findings or observation communicated in this report regarding this item, though the Department may wish to monitor similar agreements in the future.

Summary of Questioned Costs

None.

Summary of Recommendations and Observations

We believe the engagement of any entity that is a related party of FSSNF or its common-control affiliate (i.e., the Foundation) to provide services that involve FSSNF and/or FSSNF's personnel requires heightened scrutiny, particularly if such engagement was not considered in the annual approved cost allocation plan. However, the risks concerning these specific transactions is limited for the fiscal year 2022 and beyond based on the Foundation's redemption of its ownership interest and exiting its equity position in CBC-IT on November 1, 2021. This broad observation is supported by the regulations that govern the FSSNF's agreement with the Department, including 2 CFR 200.

Closing

The services provided by THF and this report are subject to certain inherent limitations including the assumption that the CBC provided THF with all material information responsive to THF's requests and that such information is accurate and complete. Additionally, the findings or other observations, recommendations and other conclusions, and narrative descriptions contained within this report are based on presently available information and the work performed through the date of this report. If additional information is made available to THF, or if the assumptions described above are inaccurate, the findings, observations, recommendations, conclusions, and descriptions contained in this report may change.

THF appreciates the opportunity to be of service to the Department and is available to answer any questions the Department may have related to this report.

Thomas Howell Ferguson P.C.

Tallahassee, Florida
January 29, 2024