



DIVISION OF INSPECTOR GENERAL
Grant Maloy, Clerk of the Circuit Court and Comptroller
Seminole County, Florida

June 06, 2020

The Honorable Chairman and Members of the Board of County Commissioners

The attached audit of the Rescue Outreach Mission was requested by Seminole County Chairman Mr. Jay Zembower.

The objective of this review was to determine if the financial controls are adequate, effective, and ROM is following its own policies and procedures approved by the ROM Board.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "William Carroll".

William Carroll CPA, CFE, CIG, CIGA
Inspector General
Division of the Inspector General

Approved by:

A handwritten signature in black ink, appearing to read "Grant Maloy".

Mr. Grant Maloy
Clerk of the Circuit Court and Comptroller
Seminole County

**SPECIAL REVIEW OF
RESCUE OUTREACH MISSION OF CENTRAL FLORIDA, INC.**

REPORT NO. 043020

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Special Review Report No. 043020
Rescue Outreach Mission of Central Florida, Inc.

**Division of Inspector General
Seminole Clerk of the Circuit Court and Comptroller**

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INTRODUCTION

Background

Rescue Outreach of Central Florida, Inc. (ROM) was founded in 1986. It aids homeless men and women and the disadvantaged in Central Florida.

ROM is a 501 (c) corporation. As a 501 (c) (3) corporation the agency is a non-profit that has been approved by the Internal Revenue Service as a tax-exempt organization.

ROM is under direction and supervision of 12 volunteer board members and an Executive Director. Board members for non-profit agencies generally act as fiduciaries and are responsible for managing the organization so that it has a sustainable future. It adopts sound, ethical, legal, and financial management policies. It also has the duty to making sure the non-profit has adequate resources to advance the mission.

Since 2017, ROM has had its share of financial problems. Some of these financial problems are attributable to staff and Board turnover and also there has been a significant reduction in contributions and Grants. In 2018, the County, United Way and other local municipalities paid to have Florida Housing Coalition review the agency and recommend operational changes. A report was published and many of the recommendations were implemented.

In 2019, the mission suffered additional financial setbacks. The Seminole County Board of County Commissioners (BCC) agreed to provide emergency funding to help the agency stay financially solvent. Additionally, the BCC and the Seminole County Sherriff agreed to add 2 additional Board members. The first was Mr. Jay Zembower, and second new board member was Ms. Lisa Spriggs. Ms. Amy Lockhart has since replaced Mr. Zembower. It also provided the services of an experienced community services manager (Ms. Bonnie Deese) to act as an Interim Executive Director for the agency. We commend the County and the Sherriff's Office for volunteering these professionals to provide leadership and direction to this organization.

The results of the audit are included in the report that follows.

Objectives and Scope

The objective of this review was to determine if the agency's financial controls are adequate, effective, and in compliance with the terms and conditions of the contract with Seminole County. The review was also to specifically follow up on previous issues identified and reported to the Board.

The period subject to review was January 2018 through December 2019. We included in this review: bank statements and reconciliations; revenue listings; disbursement records; balance sheet and income statement; debit card charges; policies and procedures; ROM board minutes; and, other procedures considered necessary

Complete records and supporting documentation were not available for this review. The records reviewed were limited.

Overall Conclusion

It is our opinion; the Board has made some positive improvements to the organization by publishing a policy and procedure manual that includes some additional administrative controls. With that being said, we are still finding many instances that these guidelines are not being adhered to; further administrative controls are also recommended in the report that follows.

If the agency abides by to their own policies and, is successful at raising funds to support the operation, it could successfully operate for many years.

Financial Records

For the agency to be successful financially it has to maintain consistent funding sources to support payroll and operational costs. When major funding sources no longer support the program, or reduce their financial support, it contributes to a very detrimental financial situation.

ROM does appear to have some funding opportunities; however, ROM has to first ensure that the stakeholders are totally at ease with how the agency is operating. For example, it was noted in the Executive Director's Report (March 2019) that the agency had submitted 3 subrecipient applications to Seminole County valued at \$255,390.00. We don't know for sure if the applications were ever received by the County or the County rejected the applications because it was not comfortable that the agency was capable of complying with the requirements. But for whatever reason, this source of revenue funding did not make it into the agency. There is correspondence from County staff that there were concerns that the agency was not completing some action items. We asked Seminole County for the files on these applications because of pending issues with a possible revenue source. The files still have not been provided for our

review. There is also correspondence dated January 7, 2020 from United Way that indicates that they were suspending contributions. The Board and Ms. Bonnye Deese (Interim Director) have been addressing these concerns with United Way.

When the agency submits a financial plan that includes certain revenues and suddenly they are without this funding it causes financial issues.

As a result of a loss in revenue, the agency had to make decisions on how to keep the agency open with limited funds. Payroll was delayed and management downsized the organization. Seminole County management has graciously been assisting the agency to help it become financially successful by providing emergency funding.

We also noted that the accounting records have not been in balance with the bank account records. This is due to posting errors that need to be corrected in QuickBooks. It appears as if the mission did not always know how much money they had to work with; and, as a result there were often checks written with insufficient funds resulting in overdraft charges.

Segregation of Duties

For the most part, one individual has had responsibilities for most of the accounting and financial responsibilities. Because of downsizing, and the costs associated with adding additional staff, the mission does not have the luxury of having multiple individuals involved with this process.

The agency does, however, have the Board's Treasurer review and approve checks issued for payment. The agency's policy requires two (2) signatures on all checks of \$500 and above. However, this financial control is not being adhered to and as a result the system of internal control is diminished. All of the checks we reviewed only had one signature.

Board Minutes

We requested the official Board minutes for 2018 and 2019 and only received a couple of months. The minutes serve to show formal evidence of Board decisions on policies and procedures. This is a very important fiduciary responsibility of the Board members and is a significant internal control weakness.

****update – On April 30, 2020, Ms. Bonnie Deese (Interim Executive Director) provided to us copies of additional minutes.***

Other comments

Although agency funding doesn't allow ROM to hire a full time CPA to act as a Comptroller, there may be some opportunities for the agency to hire a CPA on a part time (i.e. Virtual Comptroller) basis with remote QuickBooks on-line access. This individual could also be an independent set of eyes that can brief the Board on financial decisions at monthly Board meetings. We believe that a major weakness of the organization has been its money management skills and for it to be a successful organization it needs the assistance of someone who has financial expertise.

The agency also needs to rebuild its credibility and to do that it needs to convince its major stakeholders (Seminole County and United Way) that it has a strong financial future. One step in that direction is to formally present to these organizations a comprehensive plan with financial statements and accomplishments and long-range plans.

Seminole County and United Way have been very supportive and most likely would continue to financially support the agency if it saw a path for the organization to be successful.

Opportunities for Improvement

1. Adjust account balances.

We noted that funds were continuously being transferred back and forth between various bank accounts. Many bank overdraft charges indicate that the agency did not know how much money it had in each of its bank accounts; and, as a result there were checks often written with insufficient funds.

What we believe contributed to this issue is that some of the general ledger accounts were inadvertently miscoded and thus some accounts were overstated and some were understated.

For example, as noted below, the agency's accounting records are not in agreement with the records maintained by the bank as of December 31st, 2019.

	December 2019	ROM	
TD Bank Account	Account Balance	QuickBooks Balance	Over/Under
x-5364	\$136,398.93	\$96,361.67	-\$40,037.26
x-5372	\$0.08	-\$23,049.92	-\$23,050.00
x-5380	\$22,105.37	-\$2,708.71	-\$24,814.08
x-5398	\$698.66	\$83,137.52	\$82,438.86
Totals	\$159,203.04	\$153,740.56	-\$5,462.48

Recommendation

1. Adjust the QuickBooks balances to agree with the bank's balance for each of the 4 accounts.
2. Close accounts that are inactive.
3. Reconcile account balances monthly.

2. Debit Card expenses should be monitored very closely.

The agency uses debit cards on a regular basis to pay for all of its auto expenses (i.e. gasoline) and to pay for miscellaneous operating supplies. During our initial review (in 2017), debit card receipts were not being maintained. No one at the agency could explain the debit card charges. There were many questionable charges that did not appear to be mission related expenses.

The employees are now required to turn in all debit card receipts to the Shelter Manager and the debit cards are physically secured in a locked cabinet at night. The Shelter Manager also attaches the individual debit card receipts to a preprinted form that includes a sign off by either the Executive Director or Treasurer to indicate that the expense was reviewed and approved.

ROM Policy No. 111 (7) states:

"any purchases or charges made by credit or debit cards for an amount over \$100 must be approved by the Executive Director or Board Treasurer."

The agency should ensure that it fully complies with this policy to prevent the cards from being used for personal reasons.

The Treasurer or another Board member should periodically review the appropriateness of the charges.

Having complete and accurate records ensures that the mission is completely transparent.

Gas purchases

From an audit perspective, employees who purchase gasoline should be required to write the odometer reading on the debit card receipt, and, also specifically identify the vehicle the gas was purchased for with the card. Another internal control would be to require users to log daily trips for tracking purposes.

There does appear to be some inconsistencies with the amount of fuel being purchased on a daily basis that caught our attention.

Recommendation

1. Continue to maintain supporting documentation of all expenses incurred.
2. Require employees purchasing gas to write odometer readings and identify the vehicle on the receipt as supporting documentation.
3. Consider using a daily log of vehicle use.
4. Update procedures manual to include requirements for debit card purchases.

3. Policy prohibits loans/advances to employees.

It was previously recommended by our office that the Board have a policy that prohibits loans and cash advances. In August 2018, the Board adopted the following policy:

Policy Number 114: "It shall be the policy of ROM to prohibit loans to be paid out of ROM funds including loans/advances to employees, clients, Board Members, or parties related to employers or Board members."

We noted two examples of payroll advances to employees. The payroll advances were made when the agency had some unique financial challenges as the normal payroll was temporarily suspended. It appears the agency was acting in good faith and trying to work with employees during tough financial times.

The agency has a previous history of funds being borrowed without Board approval.

Complying with the policy provides assurance to stakeholders that the funds donated are being used for their intended purpose. Any deviations from the policy should be formally approved by ROM Board.

Recommendation

Comply with policy on advances and loans. Deviations from policy should be formally approved by Board.

4. Monthly account reconciliations should be performed.

A reconciliation is a process of comparing transactions recorded with monthly statements from the bank, credit card company, or financial institution to ensure that the records are identical. It is a critical control to ensure that an organization has financial integrity.

The agency has not kept up with monthly reconciliations as required by ROM Policy No. 110. By not reconciling on a monthly basis could result in errors going undetected and impact the overall accuracy of the financial statements.

Recommendation

Reconcile all of the bank statements with the account ledgers to detect errors and to ensure accurate financial reporting.

5. Monthly financial statements and official minutes to ROM Board.

Board members act as fiduciaries and responsible for managing the organization so that it has a sustainable future. It adopts sound, ethical, legal, and financial management policies. It also has the duty to making sure the non-profit has adequate resources to advance the mission.

By providing accurate and up to date financial statements and supporting documentation for all activities, the board has an opportunity to help the agency make sound financial decisions.

It also appears that many of the meetings of the board are not officially recorded with official minutes. We had requested minutes and monthly financial statements for the last two years and only received a few copies of minutes to review.

By not maintaining official minutes and monthly financial statements there is no formal documentation of board decisions. This includes the approval of policies, procedures, and its key financial decisions that it makes.

Recommendation

Board minutes and monthly financial statements should be prepared and maintained for all Board meetings.

6. Non-compliance with check signing procedures.

ROM policy No. 115 (1c) states:

"Each check in the amount of \$500 or more requires two authorized signatures, unless the check is in payment of recurring expenditure for a purpose provided for in the approved budget, in which case only one signature is required."

Authorized check signers for the agency include: The Executive Director, Board Chair, and Treasurer. All the checks reviewed for 2019 had only one authorized signature.

By requiring two signatures, the agency is verifying that both signers agree that the payment is reasonable and proper. The requirement for 2 signatures reduces the likelihood that one will write improper checks to themselves or write checks to a fictitious company.

For example, in 2017, one individual made out checks to themselves as a loan for their own personal use. There were also payroll advances to employees that the checks only had one

authorized signature on it. With dual signatures these checks most likely would have been questioned or stopped before the checks were issued. It is critical that this control be adhered to in order to protect the agency funds from misuse or possible theft.

Recommendation

Comply with the requirements of ROM policies and procedures.

7. Update policies and procedures manual.

There have been some personnel changes over the last couple of years. For example, the agency no longer has the position of the Administrative Services Director. Also, the Executive Assistant is now the Shelter Manager.

These changes should be updated in the ROM Policy and Procedure manual. Well written policies and procedures allow employees to clearly understand their roles and responsibilities and ensure the organization is operating efficiently and effectively.

Recommendation

Update policy and procedure manual.