THE CHILDREN'S TRUST FINANCE AND OPERATIONS

COMMITTEE MEETING

The Children's Trust Finance and Operations Committee Meeting was held on Thursday, August 31st, 2017, commencing at 4:54 p.m., at 3250 S.W. 3rd Avenue, Training Room A, Miami, Florida 33129. The meeting was called to order by Kenneth C. Hoffman, Chair.

Committee Members

Kenneth C. Hoffman, Miami Coalition of Christians and Jews
Dr. Magaly Abrahante, Miami-Dade Public Schools
Esther Jacobo, State Attorney Representative Miami-Dade
Mark Trowbridge, Coalition of the Chambers of Commerce
Alvin Gainey, PTA/PTSA
Shanika Graves, Assistant County Attorney
Leigh Kobrinski, Assistant County Attorney

Board of Directors

Marta Perez, Miami-Dade County Public Schools
Tiombe-Bisa Kendrick-Dunn, Gubernatorial Appointee
Laurie W. Nuell, At-Large Member

STAFF:

James Haj, President/Chief Executive Officer
Imran Ali
Donovan Lee-Sin
Emily Cardenas
Lori Katherine Hanson
Muriel Jeanty, Clerk of the Board
Stephanie Sylvestre
William Kirtland
MR. HOFFMAN: Welcome. We don't have any public comment. We only have -- I guess, do we need to do the minutes of the last meeting? Yes. So first order of business is approval of the July 6th minutes, which are part of the agenda that we circulated before.

MS. JACOBO: I'll move it.

MR. GAINEY: Second, Gainey.

MR. HOFFMAN: Any comments, additions, changes?

(NO VERBAL RESPONSE.)

MR. HOFFMAN: All in favor?

(WHEREUPON, the Board members all responded with "aye").

MR. HOFFMAN: Okay. It's unanimously passed. So we have one resolution, and I think we went over it in part in the last meeting. The resolution is Resolution 2017-A. It's part of the agenda package. Authorization to release competitive solicitations in alignment with the Board's strategic plan and projected available funding, cross-multiple priority investment areas that have funding cycles ending in the 2017-18 fiscal year and new funding cycles beginning in contract
1 year 2018.

Do I hear a motion to that effect?

MR. TROWBRIDGE: I'll move it, Trowbridge.

MR. GAINEY: Second, Gainey.

MR. TROWBRIDGE: It contemplates five years, correct?

MR. HOFFMAN: Correct. Okay. Any discussion or questions?

(NO VERBAL RESPONSE.)

MR. HOFFMAN: I do have a question which is more of a check. I know that Lori was using this in part as a reference. So these match up to the priorities we talked about earlier of additional funding.

MR. KIRTLAND: Right. A portion of what we're talking about, the additional funding, is represented in this solicitation. Roughly -- I think we communicated earlier, roughly 70 percent of what our budget would be in the coming solicitation, the new cycle and all the additional spending that we plan to do, this large solicitation or the solicitation included in this resolution would account for about 70 percent of that budget.

MR. HOFFMAN: I think this is mostly administrative for us because we're not determining the
actual programs. We're just determining the RFP. So if there's any other questions -- if there's no other questions, all those in favor?

(WHEREUPON, the Board members all responded with "aye".)

MR. HOFFMAN: Any opposed?

(NO VERBAL RESPONSE.)

MR. HOFFMAN: It unanimously passes. Bill, you wanted to -- or Jim wanted to talk to --

MR. HAJ: The CEO report?

MR. HOFFMAN: Yes.

MR. HAJ: Thank you, Mr. Chair. We have two providers, Sweet Vine and United Martial Arts that we have taken some action, and I'd like Stephanie and Bill to please chime in, maybe Stephanie first to give us some backdrop and then Bill on the financial health.

MS. SYLVESTRE: So as part of our continuing effort to ensure that all portfolios are performing, there's been two providers that have done actions that we believe are not aligned with the direction that we want to go, so we decided to not renew their contract. One provider is United Martial Arts. It's come to our attention and we've verified that some of their participants that they submitted during the summer programming were not actually attending the summer
programming.

We got a tip from one of their employees. We reached out to the parents of the participants in question. There were 11 participants that we reached out to. Nine we got in touch with and all nine verified that the participants were not part of the program.

So we are in the process of transitioning their dollars and the services to another provider in the area to ensure that the children can continue having services.

A second provider, Sweet Vine, had some severe cash flow problems and was not able to pay her summer employees. And this escalated to a point where the summer -- one of the summer employees' parents called "Help Me Howard" that was on the news media.

And in addition to not being able to pay their employees, they were having challenges paying their rent and had lost their current site. This was the second year in a row that they had lost their site. They were not able to secure a new site.

And based on those two primary factors and a number of secondary factors, we decided that we would not renew their contract. And again, we found another provider that will take over services, and we're in the process of transitioning over to the new provider.
The provider that's taking over from United Martial Arts is going to be CMB Visions, and I believe they're set to start services -- providing services in the middle of September.

The provider that's going to take over from Sweet Vine is Trinity Church. And right now, we're hoping that they're going to be ready to provide services the first of October.

We are going to be -- Trinity Church is going to be reaching out to the parents in the next week or so to let them know that services will be happening so that they don't feel that we have abandoned them.

I think that's pretty much the summary of it. I don't know if Bill has anything to add.

MR. HAJ: Mr. Chair, both of these cases have been referred to the Inspector General, because we're not the investigative unit so we referred them both to the Inspector General. And Bill, on the financial health.

MR. KIRTLAND: Initially, our response to both of the situations was nearly identical, though the accusations made against the two organizations were different in nature, being that one was more from a participation approach, whether or not there were participants actively part of the program, and in Sweet
Vine's case, a financial and cash flow issue.

   But anytime we receive any sort of messaging internally or externally of there being fraud possibly existing at any organization, our reaction is to immediately act as though the provider is on a fiscal performance improvement plan or require documentation to be submitted to the Trust before we would ever approve the next invoice or payment to these organizations.

   So that was our response, to make sure that expenses that were included in any open invoice were actually incurred and paid. And as Jim had mentioned, they both were also ordered to the Inspector General's Office.

   I think I might have peeked at my e-mail and seen that there were some decisions made by the Inspector General's Office as to whether or not they warranted any further investigation by their office.

   MS. SYLVESTRE: So for Sweet Vine, because they have not engaged in anything that would constitute a fraud, more from a perspective of not paying their creditors, and that is not something we want to be associated with, especially given the fact of these are college kids that worked the entire summer and had to escalate the situation to the media in order for them to get payment, and I believe a couple are still saying
that they have not gotten the entire payment that they believe they are due. They have gotten monies.

But the Inspector General has said that whenever there's a situation that involves wage theft, that they need to be referred to the Labor Board at the County. So he gave us the link and the appropriate protocol so that in the future, if somebody calls us with that complaint, we know how to handle it.

MR. KIRTLAND: Well, anytime something like this happens, we always do a little retrospective on, you know, what could we do, you know, what do we have, what do we know, what could we do.

As we've mentioned before, we've often faced the challenge of looking at the financial health of an organization at an organizational level on a year-to-year basis because our primary means of looking at an organization's fiscal health is reviewing financial statement audits.

And in Sweet Vine's case, being that there's is more of a fiscal issue, their audits, for the past couple of years that they submitted to the Trust, represented zero or, I think, in the most recent audit, no findings disclosed in their financial statement audits.

And what they had are not instances of
fraud, as Stephanie mentioned, or really errors or
omissions or items that were included on invoices that
shouldn't have been there, but they merely just weren't
including expenses that they were incurring because they
did not have the sufficient infrastructure and cash flow
to operate the program that they were contracted for.

So we are actively looking at, what can we
do in-between audits to see if some of these warning
signs are more evident and can the Trust have an
appropriate response based on concerns or findings other
than things that are included in financial statement
audits.

So we will be working internally and working
with the Finance Committee and staff to see if there's
any way contractually we can build upon any existing
policy or contract language that can give us some
additional capabilities or processes to at least lean
upon if we have concerns about an organization's cash
flow issues that may be arising.

So again, we look to incorporate that. And
I know that's something that Ken, you've mentioned that
you would like to develop.

MR. HOFFMAN: Yeah, and just to -- I know we
have some questions or comments. But Bill and I talked
about this yesterday. So we have talked in the past
about objectifying a little bit more how somebody moves into and out of a fiscal PIP and what that means. So we know that the Trust has clear rules. These don't really fall within those rules. But I do think it probably serves us well if we know that the rules for, for example, falsifying participation records are going to be grounds for immediate termination, if that's our position, because I don't think we can tolerate some things that are -- again, whether they rise to the level of criminal fraud or not might be a different issue, but those go to the heart of what we're reimbursing to.

But I do think it will serve us well if we, among other things, go back and revisit the fiscal PIP criteria so we're incorporating that a little bit more into the contractual provision saying, you know, this is what will happen if you do certain things, this is the policy that you can review and it's incorporated as part of your contract.

MS. GRAVES: Leigh and I also have been speaking with staff about including some catch-all termination language in the contract which would authorize the Trust to terminate on its own without specific provisions, so if it determines that it's necessary, the Trust would be authorized to terminate
the contract immediately.

MR. HOFFMAN: Marta, you wanted to --

DR. PEREZ: I think it is a concern -- it should be a concern for us that there is no mechanism -- there is not a mechanism, some sort of audit or something that would catch these things proactively and that these two things arose as a result of accusations.

Even if you had the contract, yes, absolutely, we would know that's going to happen. But we should be -- there should be some sort of audit, maybe not the financial but some sort of audit, for example, that would catch, especially the fraud, that you're reporting that you have these kids and you don't. And so I think that's something that should be --

MR. HAJ: That was also part of our solution with our Technology Way Forward, is automating some of this. And I don't know, Stephanie, if you want to talk about the automation or the biometrics so that we can start getting it on the front end instead of being reactive.

MS. SYLVESTRE: So a couple of points of clarification and then I'll get into the technology. One, our contract managers do site visits and pull files and do comparisons.

But because of the volume of people that
we're serving, we still need to rely on somebody giving us a heads-up. And so from that perspective, for the next funding cycle, we are going to be putting in some solutions that over fiscal year '17-'18, '18-'19, will get us to a point where the participants are reporting themselves when they're there, using biometrics to be able to do that, to reduce the probability of somebody signing in on behalf of somebody else.

As it relates to the fiscal issue, we've talked and we continue to talk about what algorithms do we need to code into our invoicing program so that as people are submitting their invoices, it can give us red flag invoices based on their spending patterns to let us know if this organization is having an issue.

Again, today, the volume of invoices that we process manually, it's very difficult to be able to do that. But there are some trends that once we find a problem and we look backwards, we can start to see some pattern that we need to figure out how we can put it into an algorithm.

MR. HOFFMAN: Marta?

DR. PEREZ: So what happened? You say, well, we have a manager who should have seen or was responsible. What happened to the manager?

MS. SYLVESTRE: No, no, I said, we do site
visits. But we don't do site visits every week. And we
do a separate -- and so this problem happened during the
summer, so we would not be doing an audit of the summer
quite yet.

DR. PEREZ: But this person is reporting
that there are nine children. Who was the person on our
dend that's responsible for saying, okay, let's say you
have 30 students -- 30 kids here. And who is
responsible for checking that?

MS. SYLVESTRE: Like I said, we're depending
on the providers to provide valid information and then
we have audits. But audits -- any audit doesn't go and
look at every single record. It takes a sampling.

And so over the course of the year, we do
our sampling. Just unfortunately, this happened during
the summertime where we had not done a site visit to
look at the records. We had done site visits to do
other things.

And the other challenge that we have is that
even if we have -- we do a site visit and a provider has
60 children in their program, the probability that any
one day that we go there that all 60 will be there is
very difficult.

Even if we -- we would have to go every
single day, every two, three months in order for us to
discern that there's some kind of fraud because we could say, well, where are these kids and they could say, absent today.

            DR. PEREZ: Okay. But I think it would be a good idea to maybe even look at some of the other Children's Trusts around the State to see best practices.

            Because this seems to be a problem, and it is disconcerting to know that we have to wait for someone to make an accusation because we are not able to hold that to the providers, to say, look, you're going to get into trouble if you -- and we're going to be checking it somehow.

            MR. HOFFMAN: I'm not sure that from what I've heard in talking to the staff that it's an endemic problem. In other words, this is a problem -- there's two different issues with two different providers.

            The fiscal issue of providers having financial problems of cash flow may cover a lot more providers than we're aware of but that's a little more difficult one to catch, I think, in the ordinary course. Because again, even if we come in and audit them, we don't necessarily see today's information. We might see the last quarter or the last month's financials.
But the flawed participants is something
that, again, I'm not sure it's a system-wide problem.

DR. PEREZ:  It may be. We don't know
because we don't have any monitor and there has been, in
the past, concern about, you know, people who ask, let's
say, for 30 -- that they're going to have 30 students
and then they don't cover them.

So I would just feel -- I mean, I would just
try it and see if there's a way to --

MS. SYLVESTRE: Dr. Perez, we are working to
put the systems in place. But again, we have about
12,000 children that we're dealing with, so you can't
just one to another day update the system.

So the point of the matter is, the first
thing is taking the registration of children out of the
hands of providers and put it in the hands of the
parent, and that will be -- that first solution will be
rolled out next March when we roll out an updated
version of our community-based app.

And then the next piece that we're going to
be rolling out -- and I don't have an exact date for
that yet -- is being able to deploy habits to a provider
so that when a child comes in, they are using their
fingerprint to sign in and sign out, so now it's
impossible to -- well, I won't say "impossible," but
it's way more complicated for you to forge the records.

MS. NUELL: Actually, I thought that that seemed like a great idea and a step in the right direction and also a response to some of the things that we've been saying over the last few years.

But when you just said "fingerprint," just what comes to mind, if you were illegal, do you think there might be a hesitation of someone to let their child put their fingerprint somewhere, you know, and have that on record?

MS. SYLVESTRE: Which is why I'm saying, we don't have a timeline.

MS. NUELL: Yeah, no, but I'm just, like, all of a sudden, I'm, like --

MS. SYLVESTRE: I can't answer your question. We have to research all of this. But the point is --

MS. NUELL: Some way to track it from the participant point of view, not the provider point of view.

MS. SYLVESTRE: Exactly. We want to use biometrics to be able to assure that the person signing in and out is actually that person and secondly, being able to get the data real-time so that we can do a different type of analytics.
MS. NUELL: I was just, like, thinking --

MR. KIRTLAND: I just wanted to speak briefly, too. In one of these instances, with the cash flow issue, we certainly want to build in the metric capabilities to be detective, but I think our real challenge is the reactive stages of what do we do once we find out this information.

Because given the current makeup and what we'll be looking at in how we want to redevelop within the fiscal performance improvement plan program is really, we might start with its name, actually, because really what we're achieving through that program is just really a closer eye on the program and everything that's happening with the documents that are submitted to the Trust.

As far as being able to assist in any improvement in any situation that's occurring within the organization, that's another question that needs to be answered.

So whereas I think maybe some questions are asked about if an organization, such as Sweet Vine or anyone else in their situation, should be in a fiscal PIP before something like this happens, is one that can be addressed, but it's not my approach or belief that their participation in a program as it's currently
structured would not have, you know, been able to prevent this from happening. It's an organizational level flaw.

MR. HOFFMAN: Sort of apropos of Dr. Perez's comment, I guess we ought to be thinking, just like the biometrics on a participation issue, about what we can do to be more proactive; in other words, maybe make a quarterly or monthly financial statement requirement, which somebody needs to do an audit ultimately, or some other reporting system where we can hopefully catch these things if they arise or maybe even just a certification, so again, we're not caught in arrears looking behind us and saying, it looks like something happened, there's an accident back there and let's see what we can do.

I'm not saying it's possible because we have a wide universe of suppliers, but we ought to think about and maybe go to a best practices concept, think of other ways that people are capturing it, again, without a burden on staff necessarily to be reviewing, you know, three or four hundred financial statements every month, but some methodology where we can build into our future contracts an ability to have the information or the tools we need to maybe have an early warning system or implement an early warning system in the future.
Anything else on that?

MR. HAJ: Mr. Chair, I know we don't like to be reactive. But when we found this situation -- I want to thank staff. They've worked very hard the last couple of weeks to get down there and also make sure kids don't lose services. And also, I know both Leigh and Shanika, thank you for your time in the last couple of weeks dealing with this.

MR. HOFFMAN: Okay. If there's no other business, we're adjourned. Thank you.

(Whereupon, at 5:18 p.m., the meeting was adjourned.)
REPORTER'S CERTIFICATE

STATE OF FLORIDA:
COUNTY OF MIAMI-DADE:

I, Fernando Subirats, Court Reporter and Notary Public in and for the State of Florida at Large, do hereby certify that I was authorized to and did report the proceedings in the above-styled cause; that the foregoing pages, numbered from 1 to 20, inclusive, constitute a true and complete record of my notes.

I further certify that I am not a relative, employee, attorney or counsel of any of the parties, nor am I a relative or employee of any of the parties' attorney or counsel connected with the action, nor financially interested in the action.

Dated this 19th day of September, 2017.

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Fernando Subirats
Court Reporter
| Quarter 14:24 | Quarterly 18:8 | Question 3:10 | 5:4 16:16
| Proactive 18:7 | Proactively 11:6 | 2:23 | Q:
| Problem 12:18 | 13:2 14:8,16 | 14:16 15:2 | Problems 5:12 | 14:19 |
| Quarter 14:24 | Quarterly 18:8 | Question 3:10 | 5:4 16:16
| Proactive 18:7 | Proactively 11:6 | 2:23 | Q:
| Problem 12:18 | 13:2 14:8,16 | 14:16 15:2 | Problems 5:12 | 14:19 |