



CHIEF FINANCIAL OFFICER
JEFF ATWATER
STATE OF FLORIDA

July 27, 2011

Mr. Charles T. Corley, Secretary
Florida Department of Elder Affairs
4040 Esplanade Way
Tallahassee, Florida 32399-7000

Dear Secretary Corley:

We have concluded our review of selected Department of Elder Affairs (Department) service contracts/grant agreements in effect on or after July 1, 2010, and related management activities. Our review focused on compliance with the following statutory requirements:

- Service contracts/grant agreements must contain a clear scope of work.
- Service contracts/grant agreements must contain deliverables that are quantifiable, measurable, verifiable and directly related to the scope of work.
- Service contracts must contain financial consequences for non-performance.
- Contract managers must enforce performance of the contract terms and conditions; review and document all deliverables for which payment is requested by vendors; and provide written certification of the Department's receipt of goods and services.

We reviewed one service contract and 18 grant agreements, six of which were executed on or after July 1, 2010. There are several areas where improvements can be made.

Scope of Work and Deliverables

Service and grant agreements must contain clear scopes of work, deliverables directly related to the scopes of work, minimum required levels of services, criteria to successfully evaluate satisfactory performance, and compensation for each deliverable. This structure is very important for payment processing; without it, the Department cannot gauge whether the State is receiving value, and payments may be delayed by requests for additional documentation. In some cases, if any of these elements are missing, the only mechanism to provide payment to vendors may be through executed settlement agreements.

Four of the six grant agreements executed on or after July 1, 2010, did not contain deliverables that reflect the services required in the scopes of work. Section 215.971 (2), Florida Statutes, became effective on July 1, 2010, and requires agreements with recipients to contain a provision dividing the agreement into quantifiable units of deliverables that must be received and accepted in writing by the Department before payment. Additionally, each deliverable must be directly related to the scope of work and must specify the required minimum level of service to be performed and the criteria for evaluating the successful completion of each deliverable.

FLORIDA DEPARTMENT OF FINANCIAL SERVICES

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For example, two grant agreements were pilot projects to develop innovative service delivery mechanisms. The deliverables for these two grant agreements were not related to innovation, but rather included core services that the organizations currently provide.

For the other two grant agreements, deliverables were activity and financial reports that did not contain minimum performance levels for the grant managers to measure successful completion of required services prior to approving invoices for payment.

Contract #	Service Provider	Contract Amount
XQ046	Area Agency on Aging of Central FL, Inc.	\$ 184,766.00
XQ116	Mid-Florida AAA, Inc	\$ 161,050.17
XA110	Experience Works, Inc	\$ 494,656.00
XQ157	Bay Area Legal Services, Inc	\$ 108,000.00

In addition, two of the six grant agreements did not require providers to submit evidence of deliverables for the Department's approval with payment requests. These agreements allowed the providers to invoice the Department on a monthly basis, but required deliverables to be reported quarterly, semi-annually or annually.

Contract #	Service Provider	Contract Amount
XQ046	Area Agency on Aging of Central FL, Inc.	\$ 184,766.00
XQ116	Mid-Florida AAA, Inc	\$ 161,050.17

Other

One grant agreement provided for the reimbursement of Class C meals related to travel, however, state law currently prohibits the use of state funds for this purpose.

Contract #	Service Provider	Contract Amount
XA110	Experience Works, Inc	\$ 494,656.00

Contract/Grant Management

Contract managers must enforce performance of the contract terms and conditions; review and document all deliverables for which payment is requested by vendors; provide written certification of the Department's receipt of goods and services; and ensure all payment requests are certified.

The contract/grant managers rely on the Department's monitoring to ensure the validity of services received. We reviewed the most recent monitoring report for the agreements. We did not examine the Department's monitoring function and express no conclusion on the reliability of this function.

Our review disclosed that the grant management activity for two grant agreements was not sufficient. The grant manager did not document verification that services were delivered satisfactorily prior to approving invoices for payment. These grant agreements were not included in the yearly monitoring activities performed by the Department and contract managers relied on provider generated data to verify service delivery. The validation process should include reconciling provider-generated data to source documentation such as client records, documentation generated by third parties, and/or Departmental staff

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observation. We tested the hours of operation requirement for XQ157. This provider was contractually required to screen calls from 9:00 AM to 2:00 PM each weekday. The results of our review indicated the provider was not in compliance and was only operating from 9:00 AM to noon.

Contract #	Service Provider	Contract Amount
XZ006	Memory Disorder Clinic, Inc	\$ 222,801.00
XQ157	Bay Area Legal Services, Inc	\$ 108,000.00

Other

Monitoring results for years 2008, 2009, and 2010 indicate that one provider is consistently failing to comply with program and administrative requirements. We credit the Department for their monitoring and corrective action efforts to bring this service provider into compliance and recommend these efforts be continued.

Contract #	Service Provider	Contract Amount
XA110	Experience Works, Inc	\$ 494,656.00

Please provide the Department's corrective action plan which addresses how these deficiencies will be corrected for future contracts. This plan should include steps the Department will take to provide a system of quality control, including training, periodic management review, and feedback to Departmental staff that develop and manage contracts and grants. We request that the plan be submitted within 30 days of receipt of this letter.

We provide Contract Manager Training that would be beneficial to your staff. Additional information on these classes is available at <http://www.myfloridacfo.com/aadir/AuditingTraining.htm>.

We appreciate your staff's support and cooperation during the review. Please contact Mark Merry, Chief of the Bureau of Auditing, at 850-413-3074 if you have any questions.

Sincerely,



Christina Smith

CS/sa