



CHIEF FINANCIAL OFFICER
JEFF ATWATER
STATE OF FLORIDA

February 24, 2015

Dr. John H. Armstrong
State Surgeon General
Florida Department of Health
2585 Merchants Row Boulevard
Tallahassee, Florida 32399

Dear Dr. Armstrong:

The Bureau of Auditing (Bureau) performs audits in accordance with section 17.03, Florida Statutes (F.S.). This statute relates to the Chief Financial Officer's (CFO) responsibilities to settle the claims of the state using various methods. The Bureau also audits pursuant to the requirements of section 215.971, F.S., for grant agreements funded with federal and state monies. Audits on contractual services agreements are audited pursuant to sections 287.057(14), and 287.058(1), F.S. The CFO also issues memorandums that provide additional audit requirements.

The Bureau audits contracts and grants to determine whether:

- The agreement clearly establishes the tasks to be performed by the provider (has a clearly defined scope of work).
- The agreement defines quantifiable, measurable, and verifiable units of deliverables that must be received and accepted before payment is made.
- The agreement specifies the financial consequences that the agency must apply if the provider fails to perform in accordance with the contract.
- The manager provided written certification for the receipt of goods and services.

Many of the deficiencies in agency contract and grant agreements stem from poor contract management and a lack of effective monitoring, the Bureau visits agencies and audits contracts, along with the contract manager's files. In addition to auditing the contract document, the Bureau evaluates the contract management function to determine if the agency is monitoring the contractor's performance and validating the actual delivery of goods and services. These audits result in written reports to the agency, with the agency providing a corrective action plan to

FLORIDA DEPARTMENT OF FINANCIAL SERVICES

Christina B. Smith • Director

Division of Accounting and Auditing

200 East Gaines Street • Tallahassee, Florida 32399-0353 • Tel. 850-413-5510 • Fax. 850-413-5553

Email • christina.smith@myfloridacfo.com

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address any deficiencies noted during the audit. To date, 26 audits have been completed and the results are available on the Bureau website

http://www.myfloridacfo.com/aadir/auditing_activity.htm.

We have concluded our audit of selected Department of Health (Department) grants and contracts effective on or after July 1, 2013 through June 30, 2014, and related management activities. Our audit focused on compliance with the following statutory requirements:

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

A total of 28 agreements were selected for audit. Of those selected, six (6) agreements were audited to determine if they contained all the provisions required by Florida Statutes.

Additionally, the contract management files for all 28 agreements were audited for management activities. There are areas where improvements can be made. Attachment A provides a summary of all 28 agreements audited.

Scope of Work and Deliverables

Each service contract and grant agreement must contain a clear scope of work, deliverables directly related to the scope of work, minimum required levels of service, 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.

- One (1) agreement did not contain a clear scope of work and did not establish payment related to the deliverables. The \$100,000 agreement with **Tampa Bay Regional Planning Council** was to provide \$50,000 for treasurer, secretary, and financial agent support to the Region-4 Health and Medical (Coalition) and \$50,000 for use by the Coalition for projects. The Coalition is an advisory council whose primary goal is to enhance and expand regional and county-level health and medical response capacity during natural or man made disasters. The agreement clearly established the tasks

necessary to provide treasurer, secretary, and financial agent support. However, there were no projects listed or defined in either the agreement or the Coalition by-laws.

Financial Consequences

Section 287.058(1)(h), F.S., requires service agreements to contain provisions for financial consequences an agency must apply if a provider fails to perform in accordance with a contract. Two (2) agreements were not in compliance with Florida Statutes. Specifically, the following was noted:

- The agreements with **Aecom Technical Services, Inc.** and **Saltz Michelson Architects** did not contain financial consequences.

Contract/Grant Management

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

Our audit disclosed that the Department had contract/grant management deficiencies with 14 agreements. Specifically, the following was noted:

- The Department did not always provide written certification by the grant manager that goods and services were satisfactorily received prior to payment as required by section 215.971(2), F.S.
 - Two (2) of the four (4) audited invoices paid by the Department to **Easter Seals Florida, Inc.** were certified by the budget manager and three (3) of the four (4) audited invoices paid by the Department to **Tampa Bay Regional Planning Council** were certified by the finance manager.
- The Department's contract management activity was not always sufficient. The Department approved payment outside the terms of the agreement for three (3) agreements. Specifically, we noted the following:
 - The \$100,000 agreement with **Tampa Bay Regional Planning Council** included a 2% reduction in payment for failure to meet deadlines as established in the scope of work. Tampa Bay Regional Planning Council's administrative duties included a requirement to "assist and support the development of the Multi-Year Training and Exercise Plan" which was not completed or submitted to the Department by the June 30, 2014, deadline. The Department paid the full

contract amount to Tampa Bay Regional Planning Council without applying financial consequences in accordance with section 287.058, F.S. The deliverable was determined to be unnecessary by the Department but was not removed from the agreement through a contract amendment.

In addition, the Department paid \$10,000 each month to be used by the Coalition without established deliverables. For example; the Department paid \$10,000 to sponsor a conference. The sponsorship was not identified as a deliverable in the agreement or listed as a project in the Coalition By-Laws.

- **Center for Research and Medical Education** (Center for Research) was awarded a line item appropriation for fiscal year 2013-2014 in the amount of \$1.5 million to fund research projects and studies related to spinal cord and brain injuries and administrative costs. The agreement specified nine (9) projects.

The Center for Research provided the Department with the minimum number of hours to be worked quarterly by project, which the Department included in the agreement. The provider submitted the first quarterly invoice with project time reports showing significantly fewer hours worked than required by the agreement. The provider noted on the report that a mathematical error occurred when establishing the minimum number of hours to be required in the agreement.

The Department executed an amendment, effective January 1, 2014, reducing the minimum number of required hours. Subsequently, the provider failed to meet the amended minimum number of hours for three (3) of the projects in the third quarter and two (2) projects in the fourth quarter. The Department paid the full invoiced amount to the Center for Research without imposing financial consequences as required by section 287.058, F.S., and the agreement.

- The Department relies solely on monthly reports produced by its Child Protection Team Information System (CPTIS) system to determine if minimum performance standards are achieved prior to approving payment to **Suncoast Centers, Inc.** The CPTIS system calculates performance measures based on data manually entered by the provider. The Department did not verify the accuracy of this data.
- The Department did not complete the agreement closeout in accordance with section 215.971(2)(C),F.S. for one (1) agreement.
 - The Department did not provide a final reconciliation verifying all funds received against all funds expended for the closeout of the **Rural Health Network of Monroe** agreement. The Department provided a payment tracking log but did not provide evidence of the required close-out reconciliation.
- The Department's monitoring activities to validate receipt of the deliverables were not sufficient for six (6) agreements.

- For three (3) of the six (6) agreements, the Department is accepting the providers' self assessment to determine compliance with the terms of the agreement.
 - The three-year agreement with **Baptist Medical Center – Wolfson Children's Hospital** to provide administrative support and coordination of care for children enrolled in the Children's Medical Services Diabetes Program establishes a fixed quarterly payment of \$50,000 for a total contract value of \$600,000. The Department performs desk monitoring by providing the contract assessment tool, the monitoring questionnaire, and the security of information tool to the provider who completes the tools and returns them to the contract manager. At the time of the audit, the Department's management file did not contain documented evidence that verified the information provided on the tools.
 - Desk monitoring was performed for verification of services under the agreement with the **University of Florida, Ped-i-care** through the use of a monitoring tool sent to the provider. The tool is completed during a phone conference between the Department and the provider. The Department did not provide documentation verifying the ratings/conclusions reported on the monitoring tool. Additionally, the Department stated that some provisions would need a visual inspection for verification; however, on-site monitoring did not occur.
 - The Department was unable to provide evidence to support validation of performance for **Suncoast Centers, Inc.** The Department completes a desk review by supplying the desk monitoring tool to the provider who completes the tool and returns it to the contract manager. At the time of the audit, the Department's management file did not contain evidence that this information was verified.
- For the remaining three agreements, the Department's monitoring activities were not sufficient to validate receipt of the deliverables.
 - The Department did not provide evidence that monitoring occurred as required by the agreement with **The Center for Research and Medical Education**. The agreement requires the Department to conduct quarterly desk reviews. The Department was unable to provide evidence that desk reviews have occurred.
 - The agreement with **Easter Seals of Florida, Inc.** was executed on October 26, 2011. The recipient was to provide direct client medical and educational services for infants and toddlers with disabilities. Although the Department's policies and procedures require annual on-site monitoring for direct client services, no on-site monitoring has been conducted as of the date of the audit. In addition, the Department confirmed by email that there is currently no monitoring plan in place for this agreement.

- The **University of South Florida – Perinatal Care** agreement defines a unit of service as an Obstetrics Satellite Clinic for prenatal care and educational programs. This is a direct client service that, in accordance with the Department's policies and procedures, is required to be monitored on-site at least annually. The Department stated that this agreement is monitored on-site once in three (3) years, rotating between each of the three (3) clinic locations. Based on this information each clinic could be visited as infrequently as once in a nine (9) year period with desk monitoring occurring each year for eight (8) consecutive years.

Contract Management - Other

- The Department entered into an agreement with the **School Board of Broward County** to provide services to 78 schools; however, services are only being provided to 38 schools. The Department stated that the additional 40 schools had been erroneously included in the agreement. At the time of the audit, the agreement had not been amended.
- Section 215.971(2), F.S., states that for each agreement funded with federal or state financial assistance, the state agency shall designate an employee to function as a grant manager who shall be responsible for enforcing performance of the agreement's terms and conditions and who shall serve as a liaison with the recipient or subrecipient.

Barcino Supplies and Distribution and **Highland Food Resources** provide food to preschools and daycare centers enrolled in the U.S. Department of Agriculture's (USDA) Child Care Food Program. Costs for food is reimbursed monthly, based on a per meal per child rate set by USDA guidelines. A provider's average monthly reimbursement is approximately \$13,500. The Department did not provide documentation to evidence the contract management functions, i.e. certify the receipt of goods/services, evaluate performance, etc.

- The Department approved vendor status for the **University of Florida, Emergency Mortuary Services** which is federally funded. The Office of Management and Budget's (OMB) Circular A-133(B).210 lists the characteristics of a subrecipient to include funded entities whose performance is measured against whether the objectives of the federal program are met.

Based on the definition of a recipient/subrecipient as defined in the OMB Circular A-133, the University was obligated to meet the objectives of the program as outlined in the Catalog of Federal Domestic Assistance (CFDA); therefore, should have been classified a subrecipient. The Department's Office of Contract Administration sent a notification of

the error on March 1, 2012. However, at the time of the audit, the contract had not been amended. Misclassification of a subrecipient as a vendor could result in the State being responsible for repayment of disallowed costs to the federal funding agency.

- Sections 215.971(2)(a)1, and 287.057(14), F.S., require that each grant or contract manager who is responsible for agreements in excess of the threshold amount for Category Two under section 287.017 F.S., must, at a minimum, complete training conducted by the CFO for accountability in contracts and grant management.
 - The Contract Managers for **Aecom Technical Services and Saltz Michelson Architects** had not completed Advancing Accountability Training.

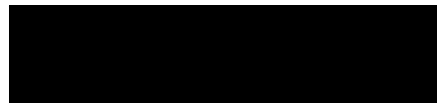
Please provide the Department's corrective action plan which addresses how these deficiencies will be corrected for future contracts. This plan should include steps the Department will take to provide a system of quality control, including training, periodic management review, and feedback to Departmental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

Our office provides 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 audit. Please contact Mark Merry, Chief of the Bureau of Auditing, at 850-413-3074 if you have any questions.

Sincerely,

A solid black rectangular box used to redact the signature of Christina Smith.

Christina Smith

Attachment A
Department of Health

| Agreement Number | Service Provider | Contract Amount | Agreement Type | Clear Scope of Work | Deliverables | Financial Consequences | Florida Single Audit Act | Cost Analysis Performed | Acceptable Contract/Grant Management | TOTAL NUMBER OF AREAS WITH DEFICIENCIES |
|---|---|-----------------|----------------|---------------------|--------------|------------------------|--------------------------|-------------------------|--------------------------------------|---|
| FC012 | AECOM TECHNICAL SERVICES, INC. | \$1,411,695 | Contract | Y | Y | N | NA | Y | N | 2 |
| COQQZ | BAPTIST MEDICAL CENTER | \$1,200,000 | Contract | * | * | * | NA | NA | N | 1 |
| I-2788 | BARCINO SUPPLIES AND DISTRIBUTION | Open Ended | Grant | Y | Y | Y | NA | NA | N | 1 |
| COP4T | CENTER FOR RESEARCH AND MEDICAL EDUCATION | \$1,500,000 | Grant | * | * | * | * | * | N | 2 |
| COQTV | EASTER SEALS FLORIDA, INC. | \$12,736,599 | Grant | * | * | * | * | * | N | 2 |
| COHD6 | FAMILY HEALTH CENTERS OF SOUTHWEST FLORIDA | \$1,815,336 | Grant | * | * | * | * | * | Y | 0 |
| COHD4 | FLORIDA COUNCIL AGAINST SEXUAL VIOLENCE, INC. | \$3,834,567 | Grant | * | * | * | NA | NA | Y | 0 |
| DEW36 | FLORIDA INTERNATIONAL UNIVERSITY | \$967,071 | Grant | * | * | * | * | * | Y | 0 |
| COSBU | HEALTHY START COALITION OF ST. LUCIE COUNTY | \$3,493,538 | Grant | * | * | * | * | * | Y | 0 |
| U-1798 | HIGHLAND FOOD RESOURCES, INC. | Open Ended | Grant | Y | Y | Y | NA | NA | N | 1 |
| COMX3 | IMAGE, API, LLC | \$5,446,020 | Contract | * | * | * | * | * | Y | 0 |
| CODIU | JACKSON MEMORIAL HOSPITAL | \$6,000,000 | Contract | * | * | * | * | * | Y | 0 |
| BW161 | NORTH BROWARD HOSPITAL DISTRICT | \$1,407,977 | Grant | * | * | * | * | * | Y | 0 |
| COSCI | OKEECHOBEE COUNTY FAMILY HEALTHY START COALITION | \$1,601,451 | Grant | * | * | * | * | * | Y | 0 |
| HB268 | PHARMACY ADMINISTRATIVE SOLUTIONS | \$1,845,000 | Contract | * | * | * | * | * | Y | 0 |
| COTEG | RESEARCH TRIANGLE INSTITUTE | \$4,179,235 | Contract | * | * | * | * | NA | Y | 0 |
| CORDK | RURAL HEALTH NETWORK OF MONROE | \$190,655 | Grant | Y | Y | Y | NA | NA | N | 1 |
| FC005 | SALTZ MICHELSON ARCHITECTS | \$57,386 | Contract | Y | Y | N | NA | Y | N | 2 |
| BW351 | SCHOOL BOARD OF BROWARD COUNTY | \$1,305,450 | Contract | * | * | * | * | * | N | 2 |
| CPS5A | SUNCOAST CENTER, INC. | \$1,901,544 | Grant | * | * | * | * | * | N | 2 |
| PK142 | TAMPA BAY REGIONAL PLANNING COUNCIL | \$100,000 | Contract | N | N | Y | NA | Y | N | 3 |
| COQQG | THE NEMOURS FOUNDATION | \$1,916,817 | Grant | * | * | * | * | * | Y | 0 |
| COQPX | UNIVERSITY OF FLORIDA - Acute Care | \$1,499,288 | Contract | * | * | * | * | * | Y | 0 |
| COQUX | UNIVERSITY OF FLORIDA - Ped-I-Care | \$18,701,783 | Contract | * | * | * | * | * | N | 1 |
| COPB7 | UNIVERSITY OF FLORIDA / Mortuary Services | \$1,320,000 | Grant | * | * | * | * | * | N | 1 |
| COTFT | UNIVERSITY OF MIAMI | \$2,232,500 | Grant | * | * | * | * | * | Y | 0 |
| COQRB | UNIVERSITY OF SOUTH FLORIDA - Perinatal Care | \$1,584,120 | Grant | * | * | * | * | * | N | 1 |
| COQSW | UNIVERSITY OF SOUTH FLORIDA BOARD OF TRUSTEES UNIVERSITY MEDICAL SERVICE ASSOCIATION, INC. | \$2,101,863 | Grant | * | * | * | * | * | Y | 0 |
| TOTAL NUMBER OF AGREEMENTS WITH DEFICIENCIES | | | | 1 | 1 | 2 | 0 | 0 | 14 | 22 |

* Relying on prior review by this office