



CHIEF FINANCIAL OFFICER
JIMMY PATRONIS
STATE OF FLORIDA

February 5, 2019

Ms. Simone Marsteller, Secretary
Department of Juvenile Justice
Knight Building, 2737 Centerview Drive
Tallahassee, Florida 32399-3100


Dear Secretary Marsteller:

As authorized in sections 17.03, 215.971(3), and 287.136, Florida Statutes, the Department of Financial Services has conducted an audit of the Florida Department of Juvenile Justice's (Department) contract deliverables monitoring processes and selected contract and grant agreements. Our audit, conducted by the Division of Accounting and Auditing, Bureau of Auditing, focused on contracts/agreements active from January 1, 2017, through June 30, 2018, and/or closed after December 31, 2017.

The results of our audit are included in the enclosed audit report. Please provide the Department's response and a corrective action plan to address the findings and recommendations in the report. If you have any questions, please contact Ms. Kim Holland, Bureau Chief, at (850) 413-5700 or Kim.Holland@MyFloridaCFO.com.

We appreciate the support and courtesy extended to our audit team. Completed reports of the Bureau of Auditing are available at <https://www.myfloridacfo.com/Division/AA/AuditsReviews/default.htm>.

Sincerely,


Paul Whitfield

PW/jf
Enclosure

c: Mr. Cristopher Goodman, Director of Office of Program Accountability
Mr. Robert Munson, Inspector General

FLORIDA DEPARTMENT OF FINANCIAL SERVICES

Paul Whitfield • Director

Division of Accounting and Auditing

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**JIMMY PATRONIS
CHIEF FINANCIAL OFFICER
STATE OF FLORIDA**

Florida Department of Financial Services

STATUTORY AUDIT
CONTRACT DELIVERABLES MONITORING
FLORIDA DEPARTMENT OF JUVENILE JUSTICE

February 5, 2019

AUDIT AUTHORITY

The Department of Financial Services has performed an audit of the Florida Department of Juvenile Justice's (Department) contract deliverables monitoring processes and selected contract and grant agreements. Authority for this audit is provided by sections 17.03, 215.971(3), and 287.136, Florida Statutes (F.S.). Our audit focused on contract and grant agreements active from January 1, 2017, through June 30, 2018, and/or closed after December 31, 2017.

SUMMARY OF RECOMMENDATIONS

The Department's established contract monitoring processes are a shared responsibility of the juvenile probation officers, assigned contract managers, monitoring units, and program operations. These processes were generally effective, with some exceptions, in providing assurance that contract deliverables had been provided as required by the agreements.

- **Deliverables Monitoring** – The Department should provide guidance to contract managers for improving documentation of the actions taken to verify contractor submitted counts of youth served. Also, for contracts not subject to monitoring of services by MQI¹, the Department should provide contract managers additional guidance on deliverables verification responsibilities and identifying the types of information reviewed for completing assigned administrative reviews.
- **Recipient/Subrecipient vs. Vendor Determinations** – The Department should reevaluate and remedy processes and guidance to staff for evaluating the applicability of the Florida Single Audit Act to juvenile services resources and contracts and making related determinations of recipient/subrecipient relationships.
- **Grant Accountability** – For grant awards subject to s. 215.971(2)(c), F.S., and other cost guidelines, the Department should improve guidance to contract managers for reviewing contractor/provider documentation of costs and the relationship of those costs to the successful completion of deliverables.

Findings and Recommendations – These summarized audit results are discussed in further detail under the applicable headings within this report. We recommend that Department management consider and use these findings and recommendations as a basis for improving the Department's contract monitoring processes.

¹ Bureau of Monitoring and Quality Improvement.

DELIVERABLES MONITORING

To meet its responsibilities for providing juvenile justice prevention and intervention programs and services for at-risk and delinquent youth, the Department contracts with providers throughout the state to deliver the necessary youth services. The Department's established contract monitoring processes are a shared responsibility of the juvenile probation officers, assigned contract managers, monitoring units, and program operations. Attachment A provides a summary of the monitoring processes reviewed on audit. These processes were generally effective in providing assurance that contract deliverables had been provided as required by the agreements. Some exceptions are described below and in other sections of this report.

In our interviews with contract managers, most indicated that they were aware of the availability of the MQI² monitoring results within the JJIS³ although, as provided by Department policy, the managers did not depend on such monitoring when verifying the invoiced deliverables for beds and slots. Most contract managers could readily describe the actions taken to use Department resources such as the JJIS to verify contractor submitted counts of youth served. However, for some invoices, a written summarization or checklist describing the actions taken would have provided better support for the contract manager's certification of the completion of deliverables.

For Department contracts, MQI completes a quarterly prioritization assessment tool. This tool determines the monitoring plan and the type of administrative monitoring (checklist, desk, or on-site) to be performed. Contract managers are responsible for completing planned administrative monitoring. Also, for contracts not subject to monitoring⁴ by MQI, contract managers have sole responsibility for verification and monitoring of invoiced deliverables and the ancillary services. For these contract manager responsibilities, we noted the following:

- The Administrative Compliance Review Tool does not address the provider's performance of services. Also, for the limited scope contracts reviewed, the contract management files did not always evidence additional contract manager efforts to verify the completion of contracted services.
- The Administrative Compliance Review Tool requires, for the listed requirements, comments and a description of the documentation reviewed. However, in several instances (9 of 18), the contract manager had not consistently entered for each criterion a description of the documentation reviewed or a comment describing the basis for the monitoring conclusion.

The Department should provide guidance to contract managers for improving documentation of the actions taken to verify contractor submitted counts of youth served. Also, for contracts not subject to monitoring of services by MQI, the Department should provide contract managers additional guidance on deliverables verification responsibilities and identifying the types of information reviewed for completing assigned administrative reviews.

² Bureau of Monitoring and Quality Improvement.

³ Juvenile Justice Information System.

⁴ Identified by the Office of Program Accountability as limited scope.

RECIPIENT/SUBRECIPIENT VS. VENDOR DETERMINATIONS

State agencies disbursing state program resources must evaluate the applicability of the FSAA⁵ and determine, using a checklist⁶, whether the contractor is a recipient or subrecipient or a vendor. When the contractor has responsibilities for programmatic decisions, adherence to resource compliance requirements, eligibility determinations, etc., the contractor should be considered a recipient/subrecipient, subject to the applicable state guidelines for resource and grant management. The Department's Bureau of Procurement and Contract Administration is responsible for completing these determinations.

Section 215.97(2), F.S., provides, in part, that state financial assistance does not include contracts to operate state-owned and contractor-operated facilities. Accordingly, the FSAA is not applicable to resources provided through Department contracts involving such facilities. For five of the contracts reviewed, the residential service facility was both state-owned and contractor-operated.

For the other three residential service contracts reviewed, the facility was not state-owned. The Department had evaluated its relationship with these contractors and determined that a vendor relationship existed, not a recipient/subrecipient relationship. However, these contractors appeared to have many responsibilities for programmatic decisions, adherence to resource compliance requirements, eligibility determinations, etc. Similarly, for four contracts for services to be provided on an available or filled slot basis, the Department determined that a vendor relationship existed. However, these contractors appeared to be acting, in varying degrees, on behalf of the Department with regards to, for example, case management; screening, assessment, and counseling; and service needs assessment. For all these Department-determined vendor contracts, we noted that the invoiced expenditures had been recorded in the accounting records against various state resources identified as state financial assistance under the FSAA.

We recognize that the Department has primary responsibility for youth referrals and maintains a high level of involvement in the delivery of each youth's services. However, the Department should reevaluate and remedy processes and guidance to staff for evaluating the applicability of the FSAA to juvenile services resources and contracts and making related determinations of recipient/subrecipient relationships.

PROVIDER NOT MONITORED

For contracts Nos. P2091 and 10120 with Miami's River of Life, Inc. (provider), the Department did not, for over a year, monitor contract locations and services and, during that time, made payments for available slots that were not suitable for the placement of at-risk youth. That is, a building designated for females was abandoned with broken windows, had no apparent electricity, and had a locked bar gate restricting building access. Under contract No. P2091, the provider is responsible for notifying the Department when contracted beds are not available and for reducing the monthly invoice accordingly.

Under contract No. P2091, the provider was to operate a transitional living program, for youth, both male and female, ages 16 to 19, with payment based on 16 available beds. The contract period, as amended/renewed, was through December 31, 2018. Payments made to the provider from January 2017 through June 2018 totaled approximately \$705,000. For two invoices reviewed (totaling approximately \$38,700 and \$40,000, dated May 10, 2018, and June 12, 2018, respectively), the

⁵ Section 215.97, F.S., the Florida Single Audit Act.

⁶ FSAA Checklist for Nonstate Organizations - Recipient/Subrecipient vs. Vendor Determination (Form DFS-A2-NS).

contract file included no evidence of contract manager verification of the availability of the invoiced beds or the number of available beds filled.

Department monitoring records included a November 2016 facility visit, but no subsequent monitoring visits or results for contract No. P2091 until the on-site monitoring performed on June 21, 2018. On the June 2018 monitoring visit, the Department found that the provider program had not admitted any females for the past two years. Also, the building designated for females was abandoned with broken windows, had no apparent electricity, and had a locked bar gate restricting building access. Based on the monitoring results, the Department placed an admission freeze on the contracted transitional living program.

For this provider, the Department had entered another contract (No. 10120) for similar services (respite), at the same locations, for an overlapping contract period. For this contract, the contract period, as amended/renewed, was from July 1, 2013, through June 30, 2019. Payments were based on 10 beds, either filled or unfilled as reported on a provider-submitted census of youth served. Our analysis of those censuses showed that monthly unfilled beds averaged 85 percent; that is, the provider served youths for only 45 of 300 available bed days within a 30-day month. Payments made to the Provider from January 2017 through July 2018 totaled approximately \$299,000, with \$254,000 (85 percent) being for unfilled beds. This contract was terminated for convenience effective June 30, 2018.

Given the nature of the recent monitoring findings and the apparent overlap in services, locations, and contract periods, we recommend that the Department fully analyze these contracts considering matters such as:

- Did the contracted service locations have the physical capacity for providing available beds and services for both contracts?
- Given that the female service facility was abandoned, and its beds were therefore not available, had the Department determined that other contracted service locations had the contracted number of available beds meeting the Department's facility standards for housing referred youth?
- What was the earliest date the contracted female service facility was no longer capable of meeting the Department's facility standards for housing referred youth?
- Are the provider-submitted censuses of youth served consistent with Department records of youth referrals and are there no duplications of youths on the censuses for both contracts?

Department management, after completing such analysis, should recover all payments made for periods in which the contracted number of beds were not available for housing referred youth.

SIPP PURCHASE ORDER

The various contracts and agreements selected for audit included the purchase order B1A75C with Devereux Florida (provider) for the period August 9, 2017, through June 30, 2018, in the amount of \$48,960. Under the purchase order⁷, the provider was to deliver Statewide Inpatient Psychiatric Program (SIPP) health services and medical treatments for the probation youths referred by the Department's Regional Director. Services were to be paid on a medical bed basis only, not to exceed 120 days. If a youth's treatment was anticipated to exceed 120 days, the provider was required to notify the Department for approval.

⁷ When state agencies are unable to procure a written agreement for certain health services and drugs for persons in the care or custody of the agency, s. 287.058, F.S., provides that such services and drugs may be obtained by purchase order. However, the purchase order shall contain sufficient detail for a proper audit.

The Department authorized payments of the provider-submitted invoices through MFMP⁸. For the invoices reviewed, two payments were made for the same client, service dates, and amounts. The assigned contract manager had certified on the face of the invoices and within MFMP that the invoiced services (by type and number of days) had been received. However, the contract file did not demonstrate that the contract manager had been provided confirmation by applicable program personnel of the authorized admission of the probation youth, the actual service dates, or their receipt and review of the youth's service plan or evaluation upon release. As a result, the contract manager lacks a reliable basis for certifying that the invoiced services (by type and number of days) had been received.

GRANT ACCOUNTABILITY

Upon conclusion, grants for state and Federal awards become cost reimbursable contracts, subject to the final funds reconciliation required by s. 215.971(2)(c), F.S., and other cost guidelines. For three contracts reviewed, the Department had determined the award to be a grant. These contracts required contractors/providers to maintain sufficient documentation that expenditures were allowable, reasonable, and necessary for performing the contracted deliverables. Also, contractors/providers were to submit, separately from the deliverables invoice, quarterly expenditure reports for the expenditures made in performing under the contract. The contract files provided for review did not always evidence that the contract manager had requested and reviewed contractor/provider documentation of the reported personnel and other costs and the relationship of those costs to the successful completion of the deliverables. In response to audit inquiry, management indicated that the Department is currently working on implementing a process to review expenditure reports and documentation for recipient/subrecipient contracts.

DEPARTMENT OF JUVENILE JUSTICE RESPONSE

The Department's response to the findings and recommendations in this report is attached. The Department concurred with the findings and described planned corrective actions.

Direct inquiries regarding this report to Kim Holland, Bureau Chief, at (850) 413-5700 or kim.holland@myfloridacfo.com. Completed reports of the Division of Accounting and Auditing, Bureau of Auditing, are available at <https://www.myfloridacfo.com/Division/AA/AuditsReviews/default.htm>.

⁸ My Florida Market Place.

ATTACHMENT A MONITORING PROCESSES

Juvenile probation officers, the courts, and other designated parties are responsible for youth referrals into the juvenile justice system's prevention and intervention programs and services. Referral information is recorded in the Department's youth services tracking system, the Juvenile Justice Information System (JJIS). The JJIS generates notice to the applicable service providers. Providers have access to the JJIS for recording the status of youth referrals, such as service completion or youth release.

Contract managers have primary responsibility for verifying the specifics of the invoiced deliverables, such as counts for residential beds (filled and/or unfilled) and program slots (available and/or filled). Contract managers rely primarily on the JJIS in verifying the provider-invoiced counts.

Monitoring units within the Bureau of Monitoring and Quality Improvement (MQI) are responsible for evaluating performance of the ancillary program services provided in support of deliverables, such as youth assessments, evaluations, and training, and the provider's compliance with established standards for program operations, such as staffing levels and qualifications and youth care and safety. Program operations assists in the resolution of identified monitoring deficiencies, including, when necessary, escalating deficiencies to the level of required corrective action plans and/or financial consequences.

For contracts not identified as limited scope, MQI had completed a quarterly prioritization assessment tool, which determines the monitoring plan for each agreement; performed and reported on the planned monitoring activities; and recorded the monitoring results into the Program Management and Monitoring System (PMM), thereby communicating the results to program personnel and the applicable program managers. For contracted deliverables that are invoiced based only on filled and/or available beds and slots, the MQI monitoring provides evidence to show providers have performed the ancillary contracted services necessary to fully earn the amounts invoiced.

MQI also monitors provider compliance with established general standards for program operations, including management, accountability, assessment and performance plan, mental health and substance abuse services, health services, and safety and security. For transition service programs, MQI monitors provider compliance with standards for management accountability, assessment services and intervention services. For such compliance monitoring, MQI records a Monitoring Summary Report in JJIS and posts a MQI Program Report on the Department's website.



FLORIDA DEPARTMENT OF JUVENILE JUSTICE

March 8, 2019

Mr. Paul Whitfield, Director
Division of Accounting and Auditing
Department of Financial Services
200 East Gaines Street
Tallahassee, Florida 32399-0393


Director Whitfield:

Please find attached the Department's responses to the findings from your recent operational audit of the Department of Juvenile Justice's contract deliverables monitoring processes and selected contract and grant agreements. We concur with the findings and have taken appropriate steps to ensure corrective actions will be, or have already been, put in place.

I appreciate the professionalism shown by your staff while conducting the audit and feel this audit will enhance the Department's operations.

Sincerely,


Simone Marstiller
Secretary

cc: Heather DiGiacomo, Chief of Staff
Timothy Niermann, Deputy Secretary
Vickie Harris, Director of Administration
Christopher Goodman, Interim Director of Program Accountability
Robert Munson, Inspector General

2737 Centerview Drive • Tallahassee, Florida 32399-3100 • (850) 488-1850

Ron DeSantis, Governor

Simone Marstiller, Secretary

The mission of the Department of Juvenile Justice is to increase public safety by reducing juvenile delinquency through effective prevention, intervention, and treatment services that strengthen families and turn around the lives of troubled youth.

Department of Juvenile Justice

Responses to Audit Findings and Recommendations

Contract Deliverables Monitoring Processes and Selected Contract and Grant Agreements

Recommendation: Deliverables Monitoring – The Department should provide guidance to contract managers for improving documentation of the actions taken to verify contractor submitted counts of youth served. Also, for contracts not subject to monitoring of services by MQI, the Department should provide contract managers additional guidance on deliverables verification responsibilities and identifying the types of information reviewed for completing assigned administrative reviews.

Response : The Bureau of Contract Management is in the process of developing a more detailed deliverable acceptance form to be used by the contract manager to document the actions taken and information reviewed to support their certification of the completion of the deliverables. The document will be included in the invoice package submitted for payment. This will address the recommendation for both contracts subject to monitoring by MQI and those contracts not subject to monitoring by MQI.

Recommendation: Florida Single Audit Act – We recognize that the Department has primary responsibility for youth referrals and maintains a high level of involvement in the delivery of each youth's services. However, the Department should reevaluate and remedy processes and guidance to staff for evaluating the applicability of the FSAA to juvenile services resources and contracts and making related determinations of recipient/subrecipient relationships.

Response: The Department has reevaluated and remedied processes and guidance to staff for evaluating the applicability of the FSAA to juvenile services resources and contracts and making related determinations of recipient/subrecipient relationships. Responsibility for completion of the FSAA Recipient/Subrecipient vs. Vendor Determination Checklist has resided with the Bureau of Procurement and Contract Administration for the past several years; however, the Department's Contract Administrators are not the subject matter experts in funding sources or programmatic requirements which define provider relationships. Therefore, pursuant to the DFS audit findings, the Department will move this responsibility to the program areas where the subject matter experts know contract funding sources, as well as have the programmatic understanding of the relationship between the Department and the contracted provider's service delivery. Program area subject matter experts will be identified and initially trained in-house regarding completion of the FSAA Recipient/Subrecipient vs. Vendor Determination Checklist form. Program staff will also attend the DFS FSAA training when it becomes available. Transition of this responsibility is targeted for April 2019. The realignment of expertise and function will ensure the form is completed when necessary and accurate

determinations of recipient/subrecipient relationships are made correctly for all Fiscal Year 19-20 new contracts and moving forward.

Recommendation: Provider Monitoring – Department management, after completing the recommended analysis, should recover all payments made for periods in which the contracted number of beds were not available for housing referred youth.

Response: While the contract DFS reviewed does require services for male and female clients, there is no distinction as to how many beds were to be allocated for male or female. At different times throughout the contract, the number of beds has fluctuated as follows: 16 beds; 21 beds; and 12 beds. The number of beds available at the male facility throughout the life of the contract has been 12, as is documented in various monitoring reports. That would mean then the number of beds paid for a female facility would be 4 up through 7/1/18, at which time they increased to 9, and then decreased down to zero with amendment #5, which removed the female service requirement and reduced the beds to the male program capacity of 12. During the on-site visit on June 21, 2018, the Department found the female facility was not suitable to accept youth. An admission freeze was implemented on June 27 and ran through August 9, during which time the provider was only paid for filled beds. On August 10, 2018, the contract was amended to remove the female portion of services. During the freeze, there was no requirement to make the female beds available. Based on this analysis, the Department will be reducing the next invoice to recover an overpayment of \$1,933.92. (The overpayment is calculated as follows: 4 female beds, 6 days (June 21 through June 26), at \$80.58 a day = \$1,933.92.) To avoid future occurrences where there is question as to whether beds are available or not, the Department is amending the contract to reduce the beds to 8 and modify the payment method to pay for only filled and not available beds. In addition, the Bureau of Monitoring and Quality Improvement has enhanced its process to include an annual, on-site review of all contracts with available beds as the payment method to ensure compliance with contract language.

Finding: SIPP Purchase Order – The assigned contract manager had certified on the face of the invoices and within MFMP, the invoiced services (by type and number of days) had been received. However, the contract file did not demonstrate that the contract manager had been provided confirmation by applicable program personnel of the authorized admission of the probation youth, the actual service dates, or their receipt and review of the youth's service plan or evaluation upon release. As a result, the contract manager lacks a reliable basis for certifying that the invoiced services (by type and number of days) had been received.

Response: The Purchasing Office obtained a Deliverable Acceptance Form from the Bureau of Contract Management. Purchasing has sent this form directly to the contract manager assigned to the mentioned purchase order and to our Regional contract managers for future certification of deliverables and invoices. The contract manager must provide a description of their process and documents used to certify the acceptance of deliverables. Recommendation has been

requested to F&A to provide additional training to contract managers approving invoices through MFMP.

Finding: Grant Accountability – In response to audit inquiry, management indicated that the Department is currently working on implementing a process to review expenditure reports and documentation for recipient/subrecipient contracts.

Response: The Bureau of Contract Management has implemented a process to ensure reconciliation of all recipient/subrecipient contract expenditures going forward beginning with all contracts effective Fiscal Year 18-19. In addition, all recipient/subrecipient contracts executed going forward from this audit, will be cost reimbursable, which will ensure reconciliation on a monthly basis. For 5 contracts which ended 6/30/18 ,the Department is in the process of conducting a full audit of Fiscal Year 17/18 expenditures;; for all contracts with a term of August 2018 through July 2020, the Department will be conducting a sample reconciliation for one month during each 6 month period of the contract term, if issues are identified then an expanded audit will be conducted..