



State of Florida
DEPARTMENT OF VETERANS' AFFAIRS

Office of the Executive Director

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16 October 2014

Ms. Christina Smith, Division Director
Division of Accounting and Auditing
Florida Department of Financial Services
200 East Gaines Street
Tallahassee FL 32399-0353

Dear Ms. Smith:

This letter is in response to your letter dated 28 August 2014, outlining the findings from the audit on contractual services agreements, effective on or after 01 July 2012, pursuant to Sections 287.057(14) and 287.058(1), F.S.

We appreciate the opportunity to respond to the areas of improvement outlined in your report. The Agency's responses and Corrective Action Plan to your audit are as follows:

Finding No. 1: Scope of Work and Deliverables

Our review disclosed that the Department had scope of work issues for five (5) agreements. Specifically, we noted the following:

- Four (4) agreements to secure the services of a medical director for Veteran Affairs' nursing homes did not always require the provider to maintain adequate documentation needed to evidence completion of tasks, such as monthly signed activity logs.

Contract #	Service Provider	Contract Amount
A77FB6	E. Rawson Griffin III MD	\$38,400
A5B900	Mark L. Callman, MD	\$40,500
A76C5D	Rezeq Bataineh, MD	\$43,200
A78839	Sandford H. Kinne III, DO, PA	\$51,000

Agency Response:

The Agency concurs that the Nursing Homes did not obtain written documentations to support completion of tasks in accordance to the agreements.

"Honoring those who served U.S."

Corrective Action Plan:

- Contract Managers will amend the Purchase Order/contract statement of work at paragraph 3a (Duties) to reflect deliverables. These deliverables or verifications of duty performance will include: monthly Quality Assurance Team Meeting reports from the physicians, orders for care to residents (signed in a timely manner), and physician input notes on resident care charts. The Homes Administrator and/or Director of Nursing will ensure scope of work and deliverables are provided in accordance with the terms and conditions of the contract.
- The Department entered into an agreement with Ron Sachs Communications (Ron Sachs) for marketing services. In general, the agreement had no scope of work or deliverable issues; however, the agreement included a provision allowing the department to request additional services, which the Department exercised by executing three (3) amendments totaling \$135,421. The amendments did not fall within the original scope of work and did not clearly establish the tasks the provider was required to perform. For example, the Department attempted to procure a social media campaign, public service announcements, pop-up displays and web site maintenance with the execution of Amendment #1. The tasks identified in the agreement were vague and did not provide enough detail to clearly establish what was to be done.

In addition, the agreement did not require the vendor to maintain documentation to evidence the completion of tasks. Instead, the amendments required payment to be made from the submission of monthly activity reports.

Contract #	Service Provider	Contract Amount
FDVA-ITN-12-003N	Ron Sachs Communications, Inc.	\$225,421

Agency Response:

The Agency concurs that the amendments did not fall within the original scope of work and the contract did not specify the required vendor to maintain documentation on completion of task.

Corrective Action Plan:

The Agency amended the contract to include specific services, description of services, and proof of performance for each phase of the project.

Our review disclosed that the Department had deliverable issues for seven (7) agreements. Specifically, we noted the following:

- Four (4) agreements to secure medical director services did not include a provision requiring the minimum level of performance in order to be paid. Instead, the required monthly services were defined by the contract with vague terminology such as “assist”, “participate” and “assure” without specifying what level the contractor was required to perform these duties in order to receive payment.

Contract #	Service Provider	Contract Amount
A77FB6	E. Rawson Griffin III MD	\$38,400
A5B900	Mark L. Callman, MD	\$40,500
A76C5D	Rezeq Bataineh, MD	\$43,200
A78839	Sandford H. Kinne III, DO, PA	\$51,000

Agency Response:

The Agency concurs that the duties of the medical directors do not include a provision of minimum level of service in order to be paid.

Corrective Action Plan:

Contract Managers will amend the Purchase Order/contract statement of work at paragraph 3a (Duties) to reflect deliverables. These deliverables or verifications of duty performance will include: monthly Quality Assurance Team Meeting reports from the physicians, orders for care to residents (signed in a timely manner), and physician input notes on resident care charts. The Homes Administrator and/or Director of Nursing will ensure scope of work and deliverables are provided in accordance with the terms and conditions of the contract.

With respect to performance services will be provided to veteran residents per US Department of Veteran’s Affairs requirements and the resident medical treatment record.

- The agreement with the accounting firm Moore Stephens Lovelace, P.A. was to prepare annual Medicare and Medicaid cost reports. The agreement did not include the dates the reports were to be delivered to the Department.

Contract #	Service Provider	Contract Amount
FDVA-ITB-10-0006	Moore Stephens Lovelace, P.A.	\$330,627

Agency Response:

The Agency concurs that the agreement did not include the dates the reports were to be delivered.

Corrective Action Plan:

Upon the termination of the agreement, a new procurement will be developed inclusive of the following:

1. Required Financial Consequences language
2. Clear and precise deliverables, inclusive of services to be provided, required reports and due dates.

- Three amendments were executed under the agreement with Ron Sachs Communications, Inc. to provide marketing services for a total cost of \$135,421. The services requested in the amendment did not establish a minimum level of performance required to be received by the Department in order to approve payment. For example, the provider was required to develop and distribute social media content, but did not establish criteria necessary to evaluate successful completion. Instead, a “monthly summary of activities” was required to be submitted before payment could be made.

Contract #	Service Provider	Contract Amount
FDVA-ITN-12-003N	Ron Sachs Communications, Inc.	\$225,421

Agency Response:

The Agency concurs that the amendment did not establish a minimum level of performance required to be received by the Agency in order to approve payment.

Corrective Action Plan:

The Agency amended the contract to include specific services, description of services, and proof of performance for each phase of the project.

- The agreement with IT Computing Services, Inc. to program, install and maintain a web based time clock system did not establish the minimum level of service for maintenance requests. The agreement does not include a provision specifying when maintenance requests are to be addressed when notified by the Department.

Contract #	Service Provider	Contract Amount
FDVA-ITN-12-001N	IT Computing Services, Inc.	\$181,690

Agency Response:

The Agency concurs that the Support section of the contract does not identify the number of hours the vendor is required to respond to ongoing response support and maintenance service.

Corrective Action Plan:

The Agency will amend the contract to include a minimum response time by the vendor of no more than four hours after being notified by the Agency.

Finding No. 2: Financial Consequences

- The agreements with IT Computing Services, Moore Stephens Lovelace, P.A., and Ron Sachs Communications, Inc. did not contain a provision for financial consequences an agency must apply if the provider fails to perform in accordance with the agreement. Instead, financial consequences were applicable at the agency’s discretion.

Agency Response:

The Agency concurs that the contract included language for Financial Consequences but it was not fully in compliance with the requirements.

Corrective Action Plan:

1. IT Computing Services – the Agency executed effective 07 October 2014 an amendment with the vendor that includes required Financial Consequences language.
2. Moore Stephen Lovelace, P.A. – Upon termination of the agreement, a new procurement will be developed inclusive of the required Financial Consequences language. The corrective action will be implemented no later than 30 June 2015.
3. Ron Sachs Communications, Inc. – the Agency executed effective 06 September 2014, an amendment with the vendor that includes required Financial Services language.

The Agency has developed a template for Financial Consequences statement to be used as guidance for new agreements and amendments.

- The agreements with E. Rawson Griffin III, MD, Mark L. Callman, MD, Rezeq Bataineh, MD and Sanford H. Kinne III, D.O., P.A. did not contain provisions for financial consequences.

Agency Response:

The Agency concurs that the contract did not include language for Financial Consequences.

Corrective Action Plan:

The Agency has developed a template for Financial Consequences statement to be used as guidance for new agreements and amendments.

Finding No. 3: Contract Agreement - Other

- Cost analyses were not performed for five non-competitively procured agreements.

Contract #	Service Provider	Contract Amount
A5AD89	Arbor Temporary Services, Inc.	\$117,962
A77FB6	E. Rawson Griffin III MD	\$38,400
A5B900	Mark L. Callman, MD	\$40,500
A76C5D	Rezeq Bataineh, MD	\$43,200
A78839	Sanford H. Kinne III, DO, PA	\$51,000

Agency Response:

The Agency did not complete cost analysis for the contract that affects the amount of compensation and/or level of services provided.

Corrective Action Plan:

The Contract Manager will complete a cost analysis worksheet for the non-competitive contract and any amendment that affects the amount of compensation and/or the level of services

provided. In addition, the Contract Manager will retain documentation in agency files to support the conclusions reached.

For contract with a value of \$750,000 or more, the completed cost analysis form will be submitted to the Department of Financial Services, Bureau of Auditing.

- The Department initially entered into a competitively procured agreement with Ron Sachs Communications, Inc for specific marketing services. However, additional services were subsequently acquired through negotiation with the contractor resulting in the execution of three (3) amendments totaling \$135,421 without performing a cost analysis.

Contract #	Service Provider	Contract Amount
FDVA-ITN-12-003N	Ron Sachs Communications, Inc.	\$225,421

Agency Response:

The Agency concurs that cost analysis was not perform on the amendments for additional services.

Corrective Action Plan:

The Contract Manager will complete a cost analysis worksheet for the non-competitive contract and any amendment that affects the amount of compensation and/or the level of services provided. In addition, the Contract Manager will retain documentation in agency files to support the conclusions reached.

For contract with a value of \$750,000 or more, the completed cost analysis form will be submitted to the Department of Financial Services, Bureau of Auditing.

Finding No. 4: Contract Management

Our review disclosed that the Department had contract management issues with seven (7) agreements. Specifically, the following was noted:

- The Department’s contract management activity was not sufficient for five agreements. The Department did not always verify that the deliverables required by the agreement were received and were in compliance with criteria contained in the agreement prior to payment.
 - The contract manager certified monthly medical director services were true and correct before the services were fully rendered under the agreements with Mark L. Callman, MD., Regez Bataineh, M.D., and Sanford H. Kinne, III, DO, PA. A sample of thirteen invoices certified by contract managers was reviewed. Eleven of the thirteen invoices were certified as true and correct anywhere between two and eight days prior to the end of the month of service.

Agency Response:

The Agency concurs that the Contract Manager failed to manage, monitor, and certify all services were satisfactory performed and invoices were correct.

Corrective Action Plan:

The Agency will comply with the Chief Financial Officer Memorandum No.1 (2012-2013) on how and when the Contract Summary Form will be used. The Contract Managers will complete and sign the document certifying that the information on the Contract Summary Form is true and correct: the goods and services have been satisfactorily received and payment is now due, after conferring with the Homes Administrator and/or Director of Nursing to confirm services provided. In addition, the Contract Manager will maintain, as appropriate, audits, inspections, reports, work schedules, and other materials that support certification and compliance by the vendor. The documents will be available in electronic or hard copy for audit purposes.

- The Department approved payment of \$3,200 for a full month of service as a medical director for E. Rawson Griffin, III, MD. A review of the invoice submitted showed that services were only provided for ten days of the month. The Department overpaid the provider by \$2,133.

Agency Response:

The Agency concurs that the Contract Manager failed to manage, monitor, and certify all services were satisfactory performed and invoices were correct.

Corrective Action Plan:

The existing Medical Director Contract as previously awarded did not include terms and conditions to impose penalties or reduced payments for failing to perform terms of the contract; however, the amended purchase order/contract will provide provisions for penalties or reduced payment for partial services rendered or failure to provide services. The Agency will attempt to recoup funds for the overpayment of services provided.

- The Department was unable to provide documentation supporting the contract manager's performance of a reconciliation to ensure the physical, occupational and speech therapy services invoiced under the agreement with Heritage Healthcare, Inc. were provided prior to payment.

Agency Response:

The Agency concurs that the Contract Manager failed to manage, monitor, and certify all services were satisfactory performed and invoices were correct.

Corrective Action Plan:

The Contract Manager will conduct monthly reconciliation by selecting a sample of five resident invoiced therapy services to the therapy received. The Monthly Performance document will be reviewed by the Homes Administrator and/or Director of Nursing.

The Agency will comply with the Chief Financial Officer Memorandum No. 1 (2012 – 2013) on how and when the Contract Summary Form is to be used. The Contract Managers will complete

and will sign the document certifying that the information on the Contract Summary Form is true and correct; the goods and services have been satisfactorily received and payment is now due. In addition, the Contract Manager will maintain all audits, inspections, reports, work schedules, screenings and/all other materials that support the certification of compliance from the vendor. The documents will be available in electronic or hard copy for audit purposes.

- The Department did not provide a written certification by the contract manager for 89% of sampled invoices for seven (7) providers. Chief Financial Officer Memorandum No. 01 (2012-2013) requires the contract manager to provide written certification that the information provided is true and correct and the goods and services have been satisfactorily received. Of the eighty-three (83) invoices sampled, seventy-four (89%) did not include the contract manager’s written certification.

Contract #	Service Provider	Contract Amount
A8A43C	Heritage Healthcare, Inc.	\$3,098,110
FDVA-ITN-12-001N	IT Computing Services, Inc.	\$181,690
A5B900	Mark L. Callman, MD	\$40,500
FDVA-ITB-10-0006	Moore Stephens Lovelace, P.A.	\$330,627
A76C5D	Rezeq Bataineh, MD	\$43,200
FDVA-ITN-12-003N	Ron Sachs Communications, Inc.	\$225,421
A78839	Sandford H. Kinne III, DO, PA	\$51,000

- The Department could not provide documentation required by the agreement for four (4) agreements.
 - The agreement with IT Computing Services, Inc. required the contractor to provide a System Pre-test certification letter and a System Demonstration certification letter to confirm the time clock system was fully operational; however, upon request, the Department could not provide the required documentation.

Agency Response:

The Agency concurs that the System Pre-test certification document and a System Demonstration certification letter on time clock system implementation were not available to support that the system was fully operational.

Corrective Action Plan:

The Agency will ensure certification by phase i.e. pre-implementation and implementation of deployment and by conformance i.e. Solutions will be tested through verification or through a technical testing process in a production environment. In addition, the Contract Manager will maintain all audits, inspections, reports, work schedules, screenings and/all other materials that support the certification of compliance from the vendor. The documents will be available in electronic or hard copy for audit purposes.

- The Department could not substantiate that the management files for two (2) medical director agreements, Rezeq Bataineh, MD and Sandford H. Kinne III, DO, PA, contained proof of insurance coverage as required prior to beginning services. In response to the request for the contract managers' documentation, the Department provided proof of insurance which was faxed from the medical directors' professional offices and then forwarded to the Department of Financial Services. Both of these were faxed to the Department after services began.

Agency Response:

The Agency concurs that the appropriate insurance coverage and insurance certificate have not been obtained prior to commencing work.

Corrective Action Plan:

The Contract Manager, and in their absence the Director of Nursing will request the proof of insurance documents from the physicians listed above no later than 20 October 2014. Additionally, the Agency will require the doctor to provide satisfactory evidence of the required insurance prior to commencing work.

- The Department entered into an agreement with E. Rawson Griffin III MD to provide medical director services. The agreement contained a provision requiring the contractor to provide satisfactory evidence of Commercial General Liability Insurance prior to beginning work. Upon request, the Department could not provide documentation that Commercial General Liability Insurance was confirmed prior to allowing the contractor to begin work. Instead, the Department provided a quote for Commercial General Liability insurance with a policy period date of 2/28/2014 to 2/28/2015, well after the agreement expired.

Agency Response:

The Agency concurs that the Administrator did not obtain satisfactory evidence of the required insurance i.e. Certificate of Insurance or a Certified copy of the actual insurance policy.

Corrective Action Plan:

The Contract Manager, and in their absence the Director of Nursing will request the proof of insurance documents from the physician listed above no later than 20 October 2014. Additionally, the Agency will require the doctor to provide satisfactory evidence of the required insurance within three days following the start of the contract period. Documents will be received prior to the physician commencing work.

Finding No. 5: Contract Management - Other

- The Department entered into the agreement with Moore Stephens Lovelace, P.A. to prepare the annual Medicare and Medicaid cost reports. Although it was the intention of the Department to establish a contract for up to a three (3) year initial term, the agreement established a “basic contract term of one (1) year with an option of renewal for two (2) additional” years. As a result, five (5) amendments and four (4) purchase orders referencing the original agreement were executed after the original agreement expired, allowing the contractor to provide services without an executed written agreement in place.

Contract #	Service Provider	Contract Amount
FDVA-ITB-10-0006	Moore Stephens Lovelace, P.A.	\$330,627

Agency Response:


The Agency concurs that the renewal option was not included in the original agreement.

Corrective Action Plan:

Upon the termination of the agreement, the Agency will develop a new procurement inclusive of initial term and renewal options. The implementation date will be no later than 30 June 2015.

I would like to thank you your staff for their efforts on behalf of Florida Department of Veterans Affairs. If you have any questions, please contact the Office of Inspector General at 727-518-3202 extension 5570.

Sincerely,


Mike Prendergast
Colonel, USA, Retired
Executive Director