



CHIEF FINANCIAL OFFICER
JIMMY PATRONIS
STATE OF FLORIDA

March 26, 2020

Ms. Nicole “Nikki” Fried, Commissioner
Department of Agriculture and Consumer Services
Plaza Level 10, The Capitol
400 S. Monroe St.
Tallahassee, FL 32399-0800

Dear Commissioner Fried:

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 Agriculture and Consumer Services’ contract deliverables monitoring processes and selected contracts. Our audit, conducted by the Division of Accounting and Auditing, Bureau of Auditing, focused on contracts active July 1, 2018, through September 30, 2019.

Recognizing that the Department has established overall policies for the oversight and monitoring of awards of federal and state financial assistance, the enclosed audit report includes comments to help improve the deliverables monitoring processes. Our audit recommendations are summarized below:

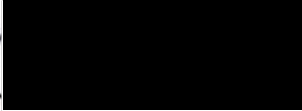
- Renewable Energy and Energy Efficient Grants Program – Implement contract monitoring tools and checklists for review of monthly progress reports and the related invoice documentation. Schedule the required on-site visits or spot-check inspections. Require an evaluation of costs as being allowable and as meeting the required match. Provide additional training to contract managers on allowable costs, including compliance with applicable state laws.
- Cooperative Endangered Species Conservation Fund – Implement contract risk assessments, monitoring tools and schedules, and deliverables checklists for review of monthly progress reports and the related invoice documentation.
- Office of Agricultural Water Policy (OAWP) – Provide the project managers and contract managers for the paired soil and water conservation contracts a shared monitoring tool for recording the completion of the interrelated monitoring processes.
- Mosquito Control Program – Develop monitoring tools or checklists prescribing the elements to be assessed in the review of submitted reports on research activities.

The Department’s Director of Administration, in a memorandum dated March 18, 2020, agreed with these recommendations and described planned actions to improve the monitoring processes. If you have any questions, please contact Ms. Kim Holland, Bureau Chief, at (850) 413-5700 or kim.holland@myfloridacfo.com.

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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: Ms. Angela Roddenberry, Inspector General



JIMMY PATRONIS
CHIEF FINANCIAL OFFICER
STATE OF FLORIDA

Florida Department of Financial Services

STATUTORY AUDIT

March 26, 2020

CONTRACT DELIVERABLES MONITORING

FLORIDA DEPARTMENT OF AGRICULTURE AND CONSUMER SERVICES

AUDIT AUTHORITY

The Department of Financial Services has performed an audit of the Florida Department of Agriculture and Consumer Services' (Department) contract deliverables monitoring processes and selected contracts. Authority for this audit is provided by sections 17.03, 215.971(3), and 287.136, Florida Statutes (F.S.). Our audit focused on contracts active July 1, 2018, through September 30, 2019.

RECOMMENDATIONS FOR IMPROVING MONITORING PROCESSES

In evaluating the monitoring processes of the Department's organizational units, we interviewed the assigned contract managers and reviewed related documentation and invoices for 19 contracts in amounts totaling \$39.5 million (See Attachment A). Overall, we found that Department monitoring processes could be improved by further emphasizing to all organizational units their responsibility for more hands-on guidance to program staff and the contract managers on the necessary monitoring processes for contract deliverables and payments.

OFFICE OF ENERGY - RENEWABLE ENERGY AND ENERGY EFFICIENT GRANTS PROGRAM

The Office of Energy can improve by carrying out and documenting all required monitoring processes and by better documenting contract manager verifications of the allowability of reimbursed contractor costs.

The Department contracted with T2C Energy, LLC, for demonstrating the feasibility of biogas and landfill gas into fuel. Funding for the contract was through the Renewable Energy and Energy Efficient Grants Program, a state financial assistance project (No. 42.026) authorized in s. 377.804, F.S. We noted the following:

- State financial assistance grants are subject to the single audit requirements of s. 215.97, F.S. Based, in part, on the grant agreement's requirement for matching resources, the Department determined T2C Energy to be a recipient, and thus subject to the single audit requirements. The agreement included language requiring a single audit, subject to the \$750,000 threshold for expenditures. The Office had not received the contractor's financial statements with the required single audit.
- For this grant program, the Catalog of State Financial Assistance requires written monthly or quarterly progress reports, as well as spot-check inspections to verify progress and compliance with the terms and conditions of the binding agreement. Regarding the monitoring of contract deliverables, the contract manager stated that the monitoring process is the review of monthly progress reports and the related invoice documentation. However, the monthly progress reports were somewhat vague and repetitive in nature and the contract management file did not include an evaluation by the contract manager or others as to whether the reports demonstrated the

accomplishment of the contracted tasks and deliverables. Also, the contract manager stated there had been no on-site visits or spot-check inspections.

- Regarding match, the contract included a project budget of \$123,797 in grant funds and \$759,830 in matching funds (Cost Share: Matching Funds) for funding categories such as salaries and benefits, travel, supplies, equipment, etc. The invoices reviewed listed the costs as grant or matching and included various cost documentation. However, the contract management file did not evidence an evaluation of costs as being allowable costs or as meeting the required match.
- The primary project task was to conduct biogas to liquid fuel demonstrations at various biogas production facilities. In completing this task, contractor personnel worked from various locations and traveled as otherwise necessary to the various demonstration facilities. The Department's monitoring efforts failed to substantiate that invoiced travel costs (budgeted as \$11,312 in grant funds) were allowable as reimbursable costs or that the travel complied with s. 112.061, F.S.

The contractor rented Airbnb facilities at these locations. These Airbnb rentals occurred during the period (January through March 2019, extended through May 8, 2019) when Airbnb was listed on the state's Discriminatory Vendor List and this contract specifically prohibited the use of the vendors on that list.

Suggestions: Implement contract monitoring tools and checklists for review of monthly progress reports and the related invoice documentation. Schedule the required on-site visits or spot-check inspections. Require an evaluation of costs as being allowable and as meeting the required match. Provide additional training to contract managers on allowable costs, including compliance with applicable state laws.

FLORIDA FOREST SERVICE - MONITORING - COOPERATIVE ENDANGERED SPECIES
CONSERVATION FUND – CFDA NO. 15.615

To improve its deliverables monitoring processes, the Forest Service should provide additional guidance and training to the contract managers assigned monitoring responsibilities for these federal grants.

Our audit included three grant agreements providing federal awards to subrecipients for specialized botanical research and monitoring. Regarding federal awards, Forest Service management indicated that the Forest Service relied primarily on AP&P No. 4-29 for guidance to contract managers on subrecipient grant monitoring. AP&P No. 4-29 provides overall policy requirements.

The Forest Service had not provided more hands-on written guidance to contract managers on required monitoring processes. We found that core elements of the contract management and monitoring processes had not been completed or properly documented for these agreements.

- For these agreements, the contract management files did not include either a risk assessment or a monitoring plan. Management indicated that the Forest Service would begin using the Department's Subrecipient Risk Assessment (FDACS-02034) form.
- For the required Subrecipient Quarterly Performance Progress Report (FDACS-02018), the contract management files did not evidence actions taken by the contract manager to verify the report information or the review and confirmation by program supervisors. The Forest Service had not developed standardized monitoring tools and/or checklists.
- Regarding on-site monitoring, the contract manager's meetings with subrecipients in the field were not documented in the contract management file. Forest Service management indicated that this was an oversight and that the contract manager had been asked to assemble all emails related to these projects.

- Contrary to Department policy¹, these agreements (award amounts \$75,000, \$69,000, and \$106,200) were developed using a fixed-price agreement document (FDACS-02017). As a result, the contract manager had not obtained documentation from the subrecipients of the costs to be reimbursed that evidenced such costs were allowable, reasonable, and necessary as required by federal cost principles and state law.²

Suggestions: Implement contract risk assessments, monitoring tools and schedules, and deliverables checklists for review of monthly progress reports and the related invoice documentation. Provide training on Department policy for fixed price subrecipient award amounts.

OFFICE OF AGRICULTURAL WATER POLICY

As the OAWP further develops its standard operating procedures, the procedures should fully capture for training and future use the actions taken to evaluate the successful completion of the contract deliverables.

The OAWP contracts audited primarily related to soil and water conservation, with paired contracts for best management practices implementation assistance (conservation technician) and cost-share delivery (project reimbursement). The OAWP had not provided to the contract managers written guidance on the monitoring of these contracts, but indicated it is developing standard operating procedures for contract and grant administration.

Although written guidance was not in place, we noted a hands-on knowledge of the interrelationships of these paired contracts and the monitoring responsibilities of the contractor, the conservation technician, and the OAWP's project manager and contract manager. Also, the contract management files reviewed demonstrated the execution of these responsibilities.

Suggestions: Within the OAWP's standard operating procedures, provide the project managers and contract managers for the paired contracts a shared monitoring tool for recording the completion of the interrelated monitoring processes.

DIVISION OF AGRICULTURE ENVIRONMENTAL SERVICES (MOSQUITO CONTROL PROGRAM)

The Division could improve its monitoring process by identifying the elements to be assessed in the review of submitted reports on research activities.

For monitoring of the Mosquito Control Program contract deliverables, the Division relied on AP&P No. 4-28, but had no Division-specific written monitoring procedures. In reviewing the contract management files and interviewing the contract manager, we found monitoring for these research contracts was accomplished through reviews of required quarterly progress reports with an independent review by the program's subject matter expert. The monitoring activities and invoice review were recorded using a research and invoice review sheet, although the matters considered in the subject matter expert's review had not been formalized.

Suggestions: Develop monitoring tools or checklists prescribing the elements to be assessed in the review of submitted reports on research activities.

¹ Federal guidance (2 CFR 200.201) allows for preapproval of fixed price awards that do not exceed \$150,000. FDACS AP&P 4-29 states that fixed price subrecipient award amounts cannot exceed \$50,000 and cannot include a cost sharing or match requirement.

² 2 CFR 200, Subpart E - Cost Principles; s. 215.971(1)(d), F.S.

MANAGEMENT'S RESPONSE

The Department's Director of Administration, in a memorandum dated March 18, 2020, agreed with these recommendations and described planned actions to improve the monitoring processes. The Director's response is attached to this report.

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>.

ATTACHMENT A
SELECTED CONTRACTS

We interviewed the assigned contract managers and reviewed related documentation and invoices for the following contracts:

<u>Contractor / Recipient</u>	<u>Purpose</u>	<u>Amount</u>	<u>Term</u>
25879 – University of Florida	Evaluation of rotational production system in reducing nutrient inputs to groundwater	\$578,250	02/22/19-6/30/23
26367 – University of Florida	Research factors influencing incidence of enzootic arbovirus spillover	\$75,582	08/23/19-6/30/20
25298 – Bok Tower Gardens, Inc.	Promote recovery of Federally listed endangered and threatened plants.	\$75,000	06/27/18-03/05/20
25297 – Fairchild Tropical Botanical Garden	Promote recovery of Federally listed endangered and threatened plants.	\$69,000	07/02/18-03/05/20
25909 – Missouri Botanical Garden	Promote recovery of Federally listed endangered and threatened plants.	\$106,200	01/04/19-09/15/20
25381 – University of Central Florida	Mosquito research	\$88,472	08/10/18-08/15/19
25318 – Florida State University	Mosquito research	\$55,001	07/03/18-06/30/19
25367 – University of Florida	Mosquito research	\$106,426	07/30/18-06/30/19
25320 – Watershed Technologies	Hybrid wetland chemical treatment	\$26,400,000	07/01/18-09/30/21
23995 – Highlands Soil and Water Conservation District	Agricultural projects best management practices cost share delivery	\$6,000,000	11/04/16-06/30/19
24397 – Gilchrist Soil and Water Conservation District	Agriculture water quality and best management practices	\$565,200	07/06/17-60/30/18
25020 – Highlands Soil and Water Conservation District	Agricultural projects best management practices cost share delivery	\$3,375,745	12/22/17-06/30/20
26234 – Hillsborough Soil and Water Conservation District	Conservation Technician best management practices implementation assistance	\$232,176	07/03/19-06/30/22
26235 – Holmes Creek Soil and Water Conservation District	Conservation Technician best management practices implementation assistance	\$221,022	07/01/19-06/30/22
25750 – City of Fellsmere	Energy use reduction measures	\$250,000	10/22/18-10/31/19
25432 – Santa Rosa BOCC	Energy use reduction measures	\$111,025	08/23/18-07/31/19
25313 – Suwannee County	Energy use reduction measures	\$1,180,855	06/21/18-06/30/22
25878 – T2C Energy, LLC	Biogas conversion to fuel demonstration	\$123,967	12/20/18-07/31/20
	Total	\$39,507,495	



FLORIDA DEPARTMENT OF AGRICULTURE AND CONSUMER SERVICES
COMMISSIONER NICOLE "NIKKI" FRIED

MEMORANDOUUM

DATE: March 18, 2020
TO: L.R. Weathermon, Jr.
FROM: Joey B. Hicks, Director of Administration [REDACTED]
SUBJECT: DFS Audit Schedule of Findings

In response to the DFS Audit Schedule of Findings on the audit of the department's contract deliverables monitoring processes and selected contracts active July 1, 2018 through September 30, 2019, we appreciate the opportunity to respond to the recommendations outlined in the audit.

Recommendation: The department monitoring process could be improved by further emphasizing to all organizational units their responsibility for more hands-on guidance to program staff and the contract managers on the necessary monitoring processes for contract deliverables and payments.

Written Response: We agree with the auditors' comments and the following actions will be taken to improve the monitoring processes. FDACS is developing a risk assessment/monitoring plan tool, that will be required for all monetary contractual services agreements. This virtual document will capture the contract manager's risk assessment results and identify any monitoring activities associated with each agreement. In addition, FDACS will require all state financial assistance contract managers to participate in the DFS- Florida Single Audit Act Training (every 4 years).

Please feel free to contact me if I can be of further assistance.

JBH/ch