



CHIEF FINANCIAL OFFICER
JIMMY PATRONIS
STATE OF FLORIDA

May 3, 2024

Joseph A. Ladapo, MD, PhD
State Surgeon General
Department of Health
4052 Bald Cypress Way
Tallahassee, Florida 32311

Dear Dr. Ladapo:

As authorized in sections 17.03 and 287.136, Florida Statutes (F.S.), the Department of Financial Services (DFS) has conducted an audit of the contract management and monitoring processes for the Department of Health (DOH). Our audit, conducted by the Division of Accounting and Auditing, Bureau of Auditing, focused on contracts active and closed from July 1, 2022, through June 30, 2023.

Summary of Recommendations

Based on our review of DOH, the following issues were noted. We recommend the agency take them into consideration to improve the Department's internal controls.

Our review of the overall monitoring framework and contract management indicated that DOH should consider improving the monitoring processes with regards to complying with Chief Financial Officer (CFO) Memorandum Number Five (No. 5). CFO Memorandum No. 5 requires agencies to have a formal monitoring process in place that includes a Risk Assessment and Monitoring Plan. The Department has implemented a "Programmatic Contract Monitoring Tool"; however, the notations made by the auditor does not clearly document their efforts. The Department should utilize this monitoring tool better to demonstrate the monitoring efforts performed by the auditor. It also identifies all documentation required to be maintained within the Contract Manager's Files. Therefore, contract managers should ensure all required documentation is included with each invoice in regard to deliverables prior to payment and maintained in the Contract Manager's Files. These improvements will ensure monitoring efforts and the maintenance of documentation are properly performed.

Objectives and Program Summary

The objective of this review was to determine whether DOH, who is responsible for the regulation of health practitioners for the preservation of the health, safety, and welfare of the public, is in compliance regarding contract deliverables and monitoring efforts. DOH is responsible for the procurement, contract management, and monitoring of all DOH contracts. The Florida Accountability Contract Tracking System (FACTS), as of June 6, 2023, indicated that DOH had a total of approximately 3,900 active contracts totaling \$12,048 billion. Our review focused on standard two-party agreements which included 1,375

FLORIDA DEPARTMENT OF FINANCIAL SERVICES

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contracts totaling \$11,794 billion or approximately 35% of the total active contracts and 98% of the total active contract dollars.

Contract Management

Our review of the Contract Manager's Files included six (6) contracts, three (3) active and three (3) that closed during the audit period. For the six (6) contracts, we reviewed a total of Twenty-two (22) invoices. Our review indicated the following areas should be considered for improvement.

Regarding the contract documentation maintained, the Contract Manager's File did not always include the required documentation per the contract agreement and/or did not always include adequate documentation to make the determination that the deliverables were completed before the payment was made. Comprehensive analysis or summations should be completed by the contract manager supporting their review of the deliverables and performance measures, such as the services provided to each client to ensure the provider met the deliverables prior to payment.

With regards to grant closeout procedures, DOH has established and implemented grant closeout procedures; however, for the grant's agreements reviewed, there was no evidence of documentation for a Final Reconciliation Report, End-of-Contract Financial Matters Analysis, Evaluation of completed deliverables, and conclusion as whether the significant deliverables were accomplished.

The DOH audit report issued on August 13, 2018, recommended, "The Department should strengthen its guidance to contract managers for preparing the final funds reconciliations required by section (s.) 215.971(2)(c), F.S., and identifying end-of-contract financial matters that may require resolution. More specific guidance would assist contract managers in performing complete and reliable final reconciliation." The Department has revised their Monitoring Guide in February 2022, specifically, for the Year End Contract Reconciliation. During our review, we noted that the Contract Managers' Files did not always include a Final Reconciliation Report.

The August 13, 2018, DOH audit report recommended, "The Department should strengthen its guidance to contract managers regarding the timing and extent of required reviews of contractor-reported expenditures, and further emphasize that contract managers must request and review detailed contractor/provider documentation"; however, we noted during our review that the contract manager did not always request additional documentation.

Also, the Florida Single Audit Act (FSAA), s. 215.97(2), F.S., establishes state audit and accountability requirements for state financial assistance provided to nonstate entities and Rule Chapter 69I-5, Florida Administrative Code (F.A.C), stipulates that State awarding agencies must use Form DFS-A2-PD, FSAA State Project Determination Checklist to evaluate the applicability of the FSAA to a state program for inclusion in the Catalog of State Financial Services (CSFA). Our review indicated that Contract Managers' Files did not always include a completed or properly completed Project Determination Checklist.

We recommend that DOH continue to provide guidance and training requiring the contract managers to maintain adequate documentation, reconciliation reports are completed, and ensure that grant close-out procedures are being performed for all applicable grant agreements and maintained in the Contract Managers' Files.

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Contract Monitoring

Our review of the agency’s monitoring efforts indicated the implemented monitoring process and procedures are adequate; however, the actual monitoring of the contracts is inadequate, which should be considered for improvement.

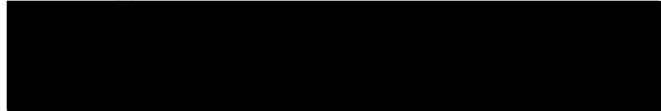
During our review of the Department’s response, we noted that the Department stated that an annual risk assessment and monitoring plan were not completed for the 2022 – 2023 Fiscal Year (FY). Without the development of an annual risk assessment, Contract Managers are unable to properly plan monitoring activities to be performed and develop a manageable monitoring plan for each fiscal year. We also noted during our review, that the agency’s Contract Manager did not monitor the progress and performance of the contract to ensure the procured product and services conformed to the contract requirements and to keep timely records of findings. Unless a Contract Manager monitors the contract’s progress and performance, and keeps timely records of findings, the agency is unable to ensure that the procured products and services conform to the contract requirements.

We recommend that DOH continue to provide guidance and training requiring Contract Managers to complete risk assessments and monitoring plans at the beginning of each FY. The risk assessments and monitoring plans should include all contracts. The Department should also ensure that Contract Managers perform adequate monitoring.

If you have any questions, please contact Ms. Kim Holland, Bureau Chief, at (850) 413-5700 or kim.holland@myfloridacfo.com. Please see the attached detailed summary for further information.

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,



Renée Hermeling, Director

RH/avg
Enclosure

c: Mr. Micheal Bennett, Inspector General

Detailed Summary

The following information is to provide the contract number and more specific details of the issues noted with each contract review.

1. We noted during our review of the Department's response to the Contract Compliance Audit Request for Monitoring, the Department indicated in their responses that the agency did not complete an Annual Risk Assessment or a Monitoring Plan for their Contract Managers during our audit period of July 1, 2022, through June 30, 2023, Fiscal Year (FY) 2022-2023.
2. We noted that the agency's Contract Managers did not monitor the progress and performance of the contract to ensure the procured products and services were conformed to the contract requirements or kept timely records of findings.
 - a. For contract number DDG93, invoice/voucher no. DDG9301, 303, 308, and 309, these invoices/vouchers did not include an Invoice Performance Analysis (IPA) and not all of the supporting documentation was provided for deliverables.
 - b. Based on our review of fifteen (15) out of the twenty-two (22) IPAs provided by the agency, the Contract Manager did not clearly document as to whether such documents demonstrated the completion of the invoice deliverables.
 - c. For the six (6) contracts selected for monitoring purposes, four (4) Programmatic Monitoring's and two (2) Quarterly Expenditure Reviews, the tools did not evidence the source of the provided documents reviewed to determine compliance. There were also no analyses provided to demonstrate the completion of Programmatic/Administrative requirements.
3. We noted that supporting documentation reviewed was not always adequate to make the determination that the deliverables were completed before the payment was made.
 - a. For contract no. DEX87, invoices/vouchers no. QPR 2, 3, 4, and 5, quarterly financial reports and budget summaries were missing in the Contract Manager's file, and/or there was no evidence in the documentation provided that specified the criteria in the contract agreement were met and deliverables were rendered (Invoice no. QPR 1).
 - b. For contract no. PSC34, invoice/voucher no. P34R101/23, the task/deliverables 3 and 7, we were unable to establish whether deliverables were received. A Quarterly Expenditure Review was not provided. Contract no. DDG93, invoice/voucher no. DDG9301, 303, 308, and 309 did not include an IPA and not all of the supporting documentation was provided for deliverables.
 - c. For contract no. PB403, invoice/voucher no. OD2A-072022, 082022, and 092022, for deliverables 10 - attend monthly partner meetings, there were missing sign-in sheets and for deliverable 11, there were missing agenda and sign-in sheets. Monthly monitoring reports or supporting documentation were also not provided for sub-contractors.

4. We noted that the Contract Manager's file did not include a complete Project Determination Checklist for contract no. MOG15.
5. We noted that the contract manager file did not have a final reconciliation report completed for contract no.'s MOG15 and PB403. Also, in the DOH prior audit report issued August 13, 2018, the recommendations stated: "The Department should strengthen its guidance to Contract Managers regarding the timing and extent of required reviews of contractor-reported expenditures, and further emphasize that Contract Managers must request and review detailed contractor/provider documentation"; however, we noted during our review that the Contract Manager did not always request additional documentation.
6. We noted that although the agency had established and implemented grant closeout procedures; for grant no. agreement PSC34, MOG15, and PB403, there was no evidence or documentation for a Final Reconciliation Report, End-of-Contract Financial Matters Analysis, evaluation of completed deliverables, and conclusion as to whether the significant deliverables were accomplished.