

Rick Scott
GOVERNOR



Jesse Panuccio
EXECUTIVE DIRECTOR

January 9, 2015

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

Dear Ms. Smith:

Thank you for the opportunity to respond to your letter dated November 19, 2014, which provides the results of the contract and grant agreement review for the period January 1, 2013 through December 31, 2013. Our response includes a corrective action plan addressing the areas noted by the Department of Financial Services.

If you have additional questions, please contact me or Jim Landsberg, Inspector General, at 245-7141.

Sincerely,



Dean M. Izzo
Chief Financial Officer

DI/cm

Enclosure

cc: Jesse Panuccio, Executive Director
Cissy Proctor, Chief of Staff
Jim Landsberg, Inspector General

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Scope of Work and Deliverables

DEO is including required scope of work elements in its agreements. We are also requiring additional documentation from providers to show satisfactory completion of specific service levels and are specifying the documentation that the provider is required to retain as evidence of its performance.

Over the next six months, DEO will evaluate the contract and grant review process to identify further opportunities for improvement. Some of these opportunities may include changing our intranet site to make forms and documents more accessible, standardizing forms, centralizing the contract and grant administration process, and continuing to provide customized training.

The Bureau of Financial Management (BFM) continues to distribute the Department of Financial Services' (DFS) Contract Audit Review results. In addition, BFM and Grants Management review DFS's final dispositions during compliance review meetings and modifications are implemented as appropriate.

Financial Consequences

DEO has devoted consistent effort to ensuring performance in accordance with the terms of its agreements. We have executed amendments to agreements that did not include financial consequences and modified any that did not state the financial consequences as mandatory. DEO will ensure that financial consequences are included in its agreements as statutorily required.

All DEO contract managers participated in DFS training titled, "Advancing Accountability and Contract/Grant Monitoring: Steps for Success."

Florida Single Audit Act

DEO is reviewing each new agreement and each agreement that is being amended to confirm that the required audit language is included. When revisions are necessary, DEO is also ensuring that the corresponding template is updated to include the necessary revisions.

All DEO contract managers participated in Florida Single Audit Act training conducted by DFS.

Cost Analysis

DEO will ensure that evidence of cost analysis is provided prior to execution of agreements and that the evidence is readily available in the agreement/management files. DEO has informed all contract and grant managers of the requirement to complete the form for certifying cost analyses involving non-competitively procured contractual service agreements and grants exceeding \$35,000. The terms of three agreements identified by DFS have ended.

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DEO does not agree with some observations made regarding cost analyses. Explanation is provided below.

Contentions	Service Provider (Contract/Grant No. & Amount)
<p>The following applies to eight of the agreements identified:</p> <p>Though DEO had conducted a cost analysis prior to award and agreement execution, that cost analysis was not completed on DEO's standardized form and did not include the required certification statement. Therefore, subsequent to DFS's communication of preliminary and tentative findings, DEO transferred its cost analysis results to DEO's standardized form, inserted the completed form into the contract file, and provided those forms to DFS prior to the release of the final report.</p>	<p>Centro-Campesino Farmworker Center, Inc. (13WX-OG-12-00-08-009 - \$443,529)</p> <p>Coalition of Florida Farmworker Organizations, Inc. (14SB-OD-12-00-04-007 - \$378,396)</p> <p>Community Action Program Committee, Inc. (13WX-OG-01-27-04-010 - \$1,145,695)</p> <p>Meals on Wheels, Etc., Inc. (13WX-OG-06-69-08-030 - \$398,407)</p> <p>Mid Florida Community Services, Inc. (13EA-OF-12-00-04-018 - \$2,417,596)</p> <p>Orange County, Florida (13EA-OF-12-00-01-022 - \$3,836,656)</p> <p>Pinellas Opportunity Council, Inc. (14SB-OD-08-62-04-022 - \$583,152)</p> <p>Riverway-South Apalachicola-Choctawhatchee, Inc. (RWSAC) (RDG13-02 - \$94,000)</p>
<p>The following applies to four of the agreements identified:</p> <p>DEO addressed the cost analysis issue during the course of DFS's review. DEO completed the cost analysis on its standardized form and inserted the completed form into the contract file. Copies of the completed cost analysis were provided to DFS prior to the release of the final report.</p>	<p>Habitat for Humanity of Florida (P0055 - \$20,000,000)</p> <p>Hispanic Business Initiative Fund of Florida, Inc. (P0068 - \$775,000)</p> <p>MetroBroward Economic Development Corporation (BBLP 13-0005 - \$317,857)</p> <p>The Tampa Bay Innovation Center (P0073 - \$400,000)</p>

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Contentions	Service Provider (Contract/Grant No. & Amount)
<p>The following applies to two of the agreements identified:</p> <p>A Cost Analysis was performed and a copy was provided to DFS in April 2014.</p>	<p>Institute for Commercialization of Public Research, Inc. (S0010 - \$5,500,000)</p> <p>Space Florida (S0006 - \$7,000,000)</p>

Contract/Grant Management

DEO contract/grant managers will continue to take actions to enforce performance and document all deliverables for which payment is requested, provide written certification of the applicable division's receipt of goods and services, and ensure all payment requests are certified. In addition, receipt of proof of insurance and evidence of background screening will be obtained and maintained for future contracts, where applicable. DEO will also review all required documentation submitted by the provider, including reports, and retain documentation as evidence of this review in the agreement/management file. DEO will continue to review existing procedures and implement improvements to maintain best practices for monitoring program recipients.

DEO does not agree with some observations made regarding contract/grant management. Explanation is provided below.

Contract/Grant Management Observations	Corrective Actions	Service Provider (Contract/Grant No. & Amount)
<p>Written certifications by the contract manager that goods and services were satisfactorily received were not always provided.</p>	<p>DEO acknowledges that the Contract Summary Form certification statement was authorized by the Project Manager. However, the supporting documentation and request for payment documentation that accompanies the Contract Summary Form was also authorized by the Contract Manager.</p> <p>Subsequent to DFS's communication of preliminary findings, DEO implemented process changes to include the Contract Manager and Project Manager authorizations on the Contract Summary Form.</p>	<p>Centro-Campesino Farmworker Center, Inc. (13WX-OG-12-00-08-009 - \$443,529)</p> <p>Community Action Program Committee, Inc. (13WX-OG-01-27-04-010 - \$1,145,695)</p> <p>Meals on Wheels, Etc., Inc. (13WX-OG-06-69-08-030 - \$398,407)</p>

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Contract/Grant Management Observations	Corrective Actions	Service Provider (Contract/Grant No. & Amount)
<p>Required documentation was not always contained in the management file.</p>	<p>Subsequent to DFS's communication of preliminary findings, DEO obtained the required sub-contract documentation. Copies of the sub-contracts were provided to DFS prior to the release of the final report.</p>	<p>Habitat for Humanity of Florida (P0055 - \$20,000,000)</p>
	<p>In performance of the agreement, the grantee conducted the required screenings of its employees and provided screening reports to DEO. DEO reviewed and communicated with the grantee on the results of the screening reports. When some documents were not located during the DFS review, DEO requested the Grantee provide them. This documentation was provided to DFS prior to the release of the final report.</p>	<p>Miami Dade College (C0704 - \$703,128)</p>
<p>Management activity did not appear sufficient as payments were approved based on provider generated data without validation that was documented by the Department.</p>	<p>DEO contends that program processes were properly established, implemented, and documented to ensure reasonable assurance by program staff that allowable expenditures were incurred prior to reimbursing the program recipient. Reasonable assurance is achieved in accordance with DFS Contract/Grant Management Training guidelines, including performing documentation sampling and desk monitoring.</p> <p>Copies of the supporting documentation for desk monitoring and payment processes were provided to DFS prior to the release of the final report.</p>	<p>Centro-Campesino Farmworker Center, Inc. (13WX-OG-12-00-08-009 - \$443,529)</p> <p>Coalition of Florida Farmworker Organizations, Inc. (14SB-OD-12-00-04-007 - \$378,396)</p> <p>Community Action Program Committee, Inc. (13WX-OG-01-27-04-010 - \$1,145,695)</p> <p>Meals on Wheels, Etc., Inc. (13WX-OG-06-69-08-030 - \$398,407)</p> <p>Mid Florida Community Services, Inc. (13EA-OF-12-00-04-018 - \$2,417,596)</p>

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		<p>Orange County, Florida (13EA-OF-12-00-01-022 - \$3,836,656)</p> <p>Pinellas Opportunity Council, Inc. (14SB-OD-08-62-04-022 - \$583,152)</p> <hr/> <p>MetroBroward Economic Development Corporation (BBLP 13-0005 - \$317,857)</p>
<p>Expense reimbursement approved prior to the start date of the grant, 30 days after the request for proposals.</p>	<p>Subsequent to DFS's communication of preliminary findings, DEO obtained the required documentation to complete the verification of program funds being deposited in interest bearing accounts.</p> <p>As discussed with DFS, DEO is reconciling all previously incurred contract expenses and has not yet certified or accepted any expenses. Information referenced in DFS's final audit report is representative data shared by DEO which illustrates the ongoing reconciliation activities that DEO has undertaken. The data is subject to change, as DEO has not completed its review. Any ineligible expenses will be excluded from the allowable expenditures reconciliation. No additional contract payments will be initiated until the expenditure reconciliation is complete and expenses are certified.</p>	<p>Habitat for Humanity of Florida (P0055 - \$20,000,000)</p>
<p>The Department-approved advance payments were approved beyond the first three months of anticipated cash needs without specific authority, and a second advance payment was approved within six months of the first advance without proper approval.</p>	<p>DEO acknowledges that the second advance payment was submitted to DFS for approval and processing prior to formalizing an approved advance funding process. However, DEO contends that the second advance payment request was submitted to DFS, and DFS authorized the payment processing. DEO developed an advance funding process, which was approved by DFS and the Office of Policy and Budget; DEO has</p>	<p>Habitat for Humanity of Florida (P0055 - \$20,000,000)</p>

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	incorporated the advance funding process in an agreement amendment that is currently pending execution by the contractor. In addition, prior to issuance of future advance payments, DEO will reconcile all eligible expenses from previously advanced payments. Copies of the proposed amendment were provided to DFS prior to the release of the final report.	
The Vendor vs. Recipient Determination Checklist required by Rule 69I-5.006, F.A.C., was not completed.	Subsequent to DFS's communication of preliminary findings, DEO completed the required checklist and inserted the completed form into the contract file. Copies of the completed checklist were provided to DFS prior to the release of the final report.	MetroBroward Economic Development Corporation (BBLP 13-0005 - \$317,857)
Monthly reimbursement costs for programmatic activities and expenditures were verified on-site every two years for 13-month agreements; reasonable assurance that the Department is receiving services in accordance with the agreement would be difficult to establish.	<p>DEO contends that program staff conduct sufficient on-site monitoring visits to each provider every two years (federal regulations require every three years) to ensure program recipients are in compliance with federal and state regulations, which includes a review of supporting documentation sampling.</p> <p>Additionally, program staff conduct annual desk monitoring during the contract review process, as well as review of required OMB A-133 audits and any other associated fiscal documents (for example: IRS Form 990, monthly expenditure reports, revenue reports) submitted by the provider.</p>	<p>Mid Florida Community Services, Inc. (13EA-OF-12-00-04-018 - \$2,417,596)</p> <p>Orange County, Florida (13EA-OF-12-00-01-022 - \$3,836,656)</p>