



CHIEF FINANCIAL OFFICER
JEFF ATWATER
STATE OF FLORIDA

December 7, 2015

Ms. Elizabeth Dudek, Secretary
Agency for Health Care Administration
2727 Mahan Drive
Tallahassee, Florida 32399-0250

Dear Secretary Dudek:

The Bureau of Auditing (Bureau) performs audits in accordance with section 17.03, Florida Statutes (F.S.). This statute relates to the Chief Financial Officer's (CFO) responsibilities to settle the claims of the state using various methods. The Bureau also audits pursuant to the requirements of section 215.971, F.S., for grant agreements funded with Federal and State monies. Audits on contractual services agreements are audited pursuant to sections 287.057 and 287.058(1), F.S. The CFO also issues memorandums that provide additional audit requirements.

The Bureau audits contracts and grants to determine whether:

- The agreement contains a scope of work that clearly establishes the tasks to be performed by the provider;
- The agreement defines quantifiable, measurable, and verifiable units of deliverables that must be received and accepted before payment is made;
- The agreement specifies the financial consequences that the agency must apply if the provider fails to perform in accordance with the contract;
- The agreement contains provisions of section 287.058, F.S.; and
- The manager provided written certification for the receipt of goods and services.

Because many of the deficiencies in agency contract and grant agreements stem from poor contract management and a lack of effective monitoring, the Bureau conducts on-site reviews of contracts and contract managers' files. In addition to reviewing the contract document, the Bureau evaluates the contract management function to determine if the agency is monitoring the contractors' performance and validating the actual delivery of goods and services.

FLORIDA DEPARTMENT OF FINANCIAL SERVICES

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These audits result in written reports to the agency, with the agency providing a corrective action plan to address any deficiencies noted during the review. To date, 34 audits have been completed and the results are available on the Bureau website, http://www.myfloridacfo.com/aadir/auditing_activity.htm.

An audit of 20 Agency for Health Care Administration (Agency) agreements was performed in 2011, resulting in a contract deficiency rate of 15 percent (15%) and a management deficiency rate of 45 percent (45%). In response, the Agency submitted a corrective action plan (CAP). As a follow-up to ensure corrective actions were implemented and operating effectively, we have concluded our audit of selected Agency contracts and grants active July 1, 2014 through June 30, 2015, and related management activities. Our audit focused on compliance with the CAP and the following statutory requirements:

- Contract/grant agreements must contain a clear scope of work.
- Contract/grant agreements must contain deliverables that are quantifiable, measurable, verifiable and directly related to the scope of work.
- Contract/grant agreements must contain financial consequences that an agency must apply if the provider fails to perform in accordance with the agreement.
- Contract/grant agreements contain all other provisions of section 287.058, F.S. or section 215.971, F.S.
- Agencies must comply with the provisions of section 216.3475, F.S., and related CFO Memoranda.
- Contract/grant managers must complete training as required by statute.
- Contract/grant managers must enforce performance of the agreement terms and conditions; review and document all deliverables for which payment is requested by service providers; and provide written certification of the Agency's receipt of goods and services.

Our audit included a review of 10 agreements totaling \$49,399,929. Two (2) of the 10 agreements were reviewed to determine if required contract provisions were included. Additionally, we reviewed the contract management files for all 10 agreements. There were areas where improvements can be made. A summary of our review is included as Attachment A.

Contracts and Grant Agreements

Each service contract and grant agreement must contain a clear scope of work, deliverables directly related to the scope of work, minimum required levels of service, criteria to successfully

evaluate satisfactory performance, and compensation for each deliverable. This structure is very important for payment processing; without it, the Agency cannot gauge whether the State is receiving value, and payments may be delayed by requests for additional documentation. In some cases, if any of these elements are missing, the only mechanism to provide payment to vendors may be through executed settlement agreements. Our review identified scope of work issues with one (1) agreement.

Scope of Work and Deliverables

The agreement with Florida State University (University) did not contain a scope of work that required the University to perform all tasks expected by the Agency. The agreement established a 16 month term beginning February 27, 2015 and ending June 30, 2016 with the final deliverable scheduled for December 1, 2015. There were no tasks or deliverables stated in the agreement for the last seven (7) months (December 2015 – June 2016). When asked about the final seven (7) month period, the Agency stated that the agreement was to remain open to allow for possible clarifications and/or revisions that may be required by the Federal funding source (Medical Assistance Program) as a result of the Federal review. The Agency, however, did not include the additional requirements in the scope of work. Without a complete scope of work detailing all requirements from the University, the University is not bound to comply with the requests from the Agency.

Contract and Grant Management

Contract and grant managers must enforce performance of the agreement's terms and conditions, review and document all deliverables for which payment is requested, provide written certification of the Agency's receipt of goods and services, and ensure all payment requests are certified.

Our audit disclosed that the Agency had Contract/Grant management deficiencies with the agreement with Florida State University (University). Specifically, the following was noted:

Sub-recipient vs. Vendor Determination

According to Title 2, section 200.93(b), Code of Federal Regulation (CFR), vendors are not subject to compliance requirements of the Federal program. However, in this case, Federal funding was provided to the University through the State's Medical Assistance grant (CFDA 93.778) for the programmatic purpose of conducting research regarding the Medicaid Long-Term Care Program. The University is to provide reports that are ultimately submitted to the Federal program for review. Revisions may be requested of the University by the Federal

program. The funds are being used to advance the Federal Medicaid program which is for a public purpose, not for the exclusive use of the Agency.

In addition, the agreement passed the Federal match requirement down to the University, making the University subject to the requirements of the Federal funding source. The programmatic purpose of the funding and the match are indicative of a sub-recipient relationship; however, the Agency granted the University vendor status. Misclassification of a sub-recipient as a vendor could result in the State being responsible for disallowed costs.

Cost Analysis

Title 2, section 200.433, CFR outlines the factors affecting the allowability of costs. To be allowable under Federal awards, costs must be “necessary and reasonable for proper and efficient performance and administration of Federal funds.”

In response to a request for proposal, the University submitted a budget in December 2013 that included 24 months of salaries, benefits and expenses totaling \$996,612 for a proposed period of performance of 24 months beginning July 1, 2014 and ending June 30, 2016. The Agency completed a cost analysis and approved the University’s budget. The \$996,612 agreement was executed on February 27, 2015, eight (8) months later than expected, for the 16 month term ending June 30, 2016. The last seven (7) months of the agreement did not establish tasks or deliverables required from the University. The term of the agreement and the period of performance did not align with the submitted budget. The agreement scheduled the final deliverable to be due no later than December 1, 2015, reducing the total period of performance to nine (9) months.

When brought to the agency’s attention, the agency stated that the contract was executed late due to the time it took to resolve questions posed by both the Agency and the University. As a result, the University’s staff involved in providing services under this agreement worked nights and weekends to meet condensed deadlines for submitting deliverables.

The inclusion of 24 months of expenses does not meet the criteria established in Title 2, section 200.433, CFR, for allowability of costs. The budget and cost analysis were not effectively evaluated to coincide with the timeline established for the agreement. The original budget was not adjusted and reevaluated to reflect the actual period of performance.

Verification of Matching Funds

Title 45, section 75.306, CFR, establishes criteria for matching funds contributed under federal awards. The University is responsible for matching funds at a one-to-one (1:1) ratio and reporting the applicable amount on each invoice for payment. Documentation to support the match was not received with the invoice. The University was allowed to retain all documentation and provide an annual attestation that the match had been met. Monitoring was completed through a desk review. The desk monitoring tool used by the Agency did not provide evidence that the match was verified.

The Agency has no reasonable assurance that all the requirements of the match, including maximum percentages for indirect costs have been met without a review of the documentation necessary to verify. The Agency is passing the match requirement down from the federal funding source to the University; however the Agency would be responsible for any match not properly supported with evidentiary documentation by the University.

Please provide the Agency's corrective action plan which addresses how these deficiencies will be corrected for future contracts. This plan should include steps the Agency will take to provide a system of quality control, including training, periodic management review, and feedback to Agency staff that develop and manage contracts and grants. We request that the plan be submitted within 30 days of receipt of this letter.

We appreciate your staff's support and cooperation during the audit. Please contact Mark Merry, Chief of the Bureau of Auditing, at [REDACTED] if you have any questions.

Sincerely,

[REDACTED]

Christina Smith

cc: Eric W. Miller, Inspector General

Attachment A

Agency for Health Care Administration

Agreement Number	Service Provider	Contract Amount	Agreement Type	Contract/Grant Agreement				Contract/Grant Management	Cost Analysis	TOTAL NUMBER OF AREAS WITH DEFICIENCIES
				Scope of Work/Deliverables	Financial Consequences	State and Federal Financial Assistance	Other			
MED169	The North Highland Co.	\$ 12,604,855.00	Standard Two Party Agreement by Statute	NA*	NA*	NA*	NA*	Y	NA	0
MED116	Sandata Technologies, LLC	\$ 16,551,805.61	Standard Two Party Agreement by Statute	NA*	NA*	NA*	NA*	Y	NA	0
MED138	Provider Synergies, LLC	\$ 523,800.00	Standard Two Party Agreement by Statute	NA*	NA*	NA*	NA*	Y	NA	0
HQA021	Xerox State Healthcare, LLC	\$ 825,000.00	Standard Two Party Agreement by Statute	NA*	NA*	NA*	NA*	Y	NA	0
MED168	Florida State University	\$ 996,612.00	Standard Two Party Agreement by Statute	N	Y	N	NA	N	N	4
MED112	University of South Florida	\$ 7,500,000.00	Standard Two Party Agreement by Statute	NA*	NA*	NA*	NA*	Y	NA	0
MED166	Chicago Systems Group, Inc.	\$ 2,868,128.00	Standard Two Party Agreement by Statute	NA*	NA*	NA*	NA*	Y	NA	0
MED147	University of Florida	\$ 4,466,360.00	Standard Two Party Agreement by Statute	NA*	NA*	NA*	NA*	Y	NA	0
AC9613	Harris IT Services Corpotation	\$ 128,368.00	Purchase Order	Y	Y	Y	NA	Y	NA	0
EXD043	SAS Institute, Inc.	\$ 2,935,000.00	Standard Two Party Agreement by Statute	NA*	NA*	NA*	NA	Y	NA	0
TOTAL NUMBER OF AGREEMENTS WITH DEFICIENCIES				1	0	1	0	1	1	4

NA* - Contract was reviewed by the Bureau of Auditing prior to this audit