



CHIEF FINANCIAL OFFICER  
**JEFF ATWATER**  
STATE OF FLORIDA

September 5, 2012

Mr. David Wilkins, Secretary  
Florida Department of Children and Families  
1317 Winewood Boulevard  
Building 1, Room 202  
Tallahassee, Florida 32399-0700

Dear Secretary Wilkins:

The Bureau of Auditing (Bureau) performs audits in accordance with Section 17.03, Florida Statutes. 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, Florida Statutes, for grant agreements funded with Federal and State monies. Audits on contractual services agreements are audited pursuant to Sections 287.057(14) and 287.058(1), Florida Statutes. The CFO also issues memorandums that also provide additional audit requirements.

The Bureau reviews contracts and grants to determine:

- Whether the agreement clearly establishes the tasks to be performed by the provider (has a clearly defined scope of work)
- Whether the agreement defines quantifiable, measurable, and verifiable units of deliverables that must be received and accepted before payment is made
- Whether the agreement specifies the financial consequences that the agency must apply if the provider fails to perform in accordance with the contract
- Whether 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 visits agencies and reviews contracts, along with the contract manager's files. In addition to reviewing the contract document, the Bureau evaluates the contract management function to determine if the agency is monitoring the contractor's performance and validating the actual delivery of goods and services. 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, 13 reviews have been completed and the results are available on the Bureau website [http://www.myfloridacfo.com/aadir/auditing\\_activity.htm](http://www.myfloridacfo.com/aadir/auditing_activity.htm).

We have concluded our review of selected Department of Children and Families (Department) Substance Abuse and Mental Health contract/grant agreements in effect on or after July 1, 2011, and related management activities. We reviewed two service contracts and sixteen grant agreements. There are several areas where improvements can be made.

FLORIDA DEPARTMENT OF FINANCIAL SERVICES

Christina Smith • Director

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### **Scope of Work and Deliverables**

Each service and grant agreement must contain a clear scope of work, deliverables directly related to the scope of work, and minimum required levels of services, criteria to successfully evaluate satisfactory performance, and compensation for each deliverable. This structure is very important for payment processing; without it, the Department 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 of two service contracts and sixteen grant agreements disclosed that the Department had scope of work and/or deliverable issues for one service contract and nine grant agreements. Specifically, we noted the following:

- One service contract and five grant agreements did not contain a scope of work that clearly establishes the tasks the providers are required to perform and the deliverables do not relate to the scope of work. Examples include:
  - The scope of services for the Beaver Street Enterprise Center (BSEC) stated that the provider will assist in the creation of new industries, job creation, and new businesses. The list of service tasks contain items such as offering peer group meetings, offering life skills training, conducting workshops and offering hospitality training without further description or including minimum performance requirements for successful completion.

In addition, the deliverables did not appear to be directly related to the scope of services and included reports with no minimum performance standards. The only measurable deliverables in the contract were, “One job created or retained through BSEC client tenants and one individual who graduated from the Jacksonville Hospitality Institute job training program”. It is unclear whether the state is receiving value for these services.

- The scopes of work for the 21<sup>st</sup> Century Council and the Hillsborough County Anti-Drug Alliance stated they were to reduce underage drinking among 18 to 20 year old college students in their respective counties. The lists of service tasks and the providers’ work plans were ambiguous as to specific task requirements and services. In addition there were no minimum performance requirements the providers were required to meet.
- The scope of services for Hanley Center, Inc. did not clearly describe the services to be provided, the specific location of service delivery, or when the services are to be performed.

Contract #	Service Provider	Contract Amount
DH688	Beaver Street Enterprise Center	\$900,000
LD963	21 <sup>st</sup> Century Council	\$100,000
LD964	Hillsborough County Anti Drug Alliance	\$100,000
ID101	Hanley Center, Inc	\$122,950
PD201	Human Services Associates, Inc	\$994,992
ND042	Epic Community Services, Inc	\$760,799

- The specific level of services required to be performed and/or criteria to determine successful completion of the deliverables were not provided for four grant agreements. Examples include:
  - There were no minimum performance standards for all deliverables in the grant agreements with Collier County and Palm Beach County Board of County Commissioners (BOCC).
  - The New Horizons of the Treasure Coast, Inc., agreement allows for the payment of \$1,000 per enrolled child regardless of the number of services the child receives. This agreement allowed for the provider to be paid in full without providing any services to clients.
  - Broward Housing Solutions allowed for reimbursement of costs without requiring a specific level of service to be provided.

Contract #	Service Provider	Contract Amount
LHZ25	Collier County	\$548,490
LHZ36	Palm Beach County BOCC	\$455,295
ZH101	New Horizons of the Treasure Coast, Inc	\$112,000
JH334	Broward County Community Development dba Broward Housing Solutions	\$552,841

**Contract Agreement – Other**

Section 215.97(1)(d), Florida Statutes, defines a state program as a set of special purpose activities undertaken to realize identifiable goals and objectives to achieve the state agency’s mission and legislative intent requiring accountability for state resources. Chapter 69I-5.005(1), Florida Administrative Code, requires the state agencies to use the Florida Single Audit Act State Project Determination Checklist to evaluate the applicability of the Florida Single Audit Act to a state program. The Department was unable to provide the required State Project Determination Form or Vendor/Recipient Determination Checklist as requested. This documentation is necessary to

determine whether the provider is a vendor or whether it is a recipient of state financial assistance and subject to audit and additional accountability requirements.

Contract #	Service Provider	Contract Amount
DH688	Beaver Street Enterprise Center	\$900,000

The Broward Housing Solutions budget narrative contained items that did not appear to be related to the required services. The agreement required the provider to render home buyer education and financial subsidies for housing expenses for mental health consumers. Most of the clients in our review period were placed in facilities owned by the provider and in turn the provider received financial subsidies from the Department. However, the budget narrative included \$45,090 in salary for two Maintenance Tech positions that service the rental property owned by the provider. The Department could not demonstrate the propriety in allocating maintenance salary costs to this agreement as maintenance is normally included in the rent payment.

Contract #	Service Provider	Contract Amount
JH334	Broward County Community Development dba Broward Housing Solutions	\$552,841

The Hillsborough County Anti Drug Alliance and the 21<sup>st</sup> Century Council had a line item in their budgets for incentives. However, the Department did not provide the legal authority that provides for the purchase of incentives.

Contract #	Service Provider	Contract Amount
LD963	21 <sup>st</sup> Century Council	\$100,000
LD964	Hillsborough County Anti Drug Alliance	\$100,000

### **Contract/Grant Management**

Contract managers must enforce performance of the contract terms and conditions; review and document all deliverables for which payment is requested by providers; and provide written certification of the Department's receipt of goods and services.

- The contract/grant management activity was not sufficient for five grant agreements as the contract/grant managers did not always verify that the deliverables required by the agreement were received and approved prior to payment or the number of units billed for was actually the number delivered. Payments were approved based on provider-generated data such as invoices, status reports, and time reports, without documented validation by the Department. In addition, the Department relied on data bases such as the Substance Abuse Mental Health Information Systems (SAMHIS) and KIT Solutions. However, the information related to client services in these databases was input by the providers and there

was no documentation to support that DCF validated the accuracy of the data related to these agreements. The validation process should include reconciling provider-generated reports to data the Department is able to independently verify.

Contract #	Service Provider	Contract Amount
ID101	Hanley Center, Inc	\$122,950
PD201	Human Services Associates, Inc	\$994,992
GHL52	Gulf Coast Jewish Family and Co	\$241,836
ND042	Epic Community Services, Inc	\$760,799
DI391	Consent Advocates	\$128,376

**Contract/Grant Management - Other**

- We found approximately \$343,000 of questionable costs reimbursed by the Department for the Beaver Street Enterprises Center agreement. Of these expenditures, \$246,260 in salary costs and \$88,362 in lease payments were paid without documentation to support how these payments were being allocated. The provider was reimbursed \$6,184 for services rendered prior to the execution date of the agreement and \$2,411 for floral maintenance that did not appear to be directly related to creating new industries, jobs, and new businesses.

Contract #	Service Provider	Contract Amount
DH688	Beaver Street Enterprise Center	\$900,000

- For another cost reimbursement agreement the Department did not provide documentation to support that \$130,609 in salary costs was properly allocated. The budget narrative included nine positions that were funded in part by the Department and in part by other funding sources. However, the Department did not provide project time sheets for these employees to evidence that the cost were properly allocated based on the percentage of hours worked that related to this agreement.

Contract #	Service Provider	Contract Amount
JH334	Broward County Community Development dba Broward Housing Solutions	\$552,841

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

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Our office provides Contract Manager Training that would be beneficial to your staff. Additional information on these classes is available at <http://www.myfloridacfo.com/aadir/AuditingTraining.htm>.

We appreciate your staff's support and cooperation during the review. Please contact Mark Merry, Chief of the Bureau of Auditing, at 850-413-3074 if you have any questions.

Sincerely,

A solid black rectangular box used to redact the signature of Christina Smith.

Christina Smith

CS/fe