



CHIEF FINANCIAL OFFICER
JEFF ATWATER
STATE OF FLORIDA

May 10, 2016

Bryan Koon, Director
Florida Division of Emergency Management
2555 Shumard Oak Boulevard
Tallahassee, Florida 32399-2100

Dear Director Koon,

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. 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.

FLORIDA DEPARTMENT OF FINANCIAL SERVICES

Christina B. Smith • Director

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To date, 37 audits have been completed and the results are available on the Bureau website, http://www.myfloridacfo.com/aadir/auditing_activity.htm.

The Bureau conducted an audit of 21 Division of Emergency Management (Division) agreements in 2013. This previous audit disclosed a contract deficiency rate of 95% and a management deficiency rate of 43%. In response, the Division 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 Division contracts and grants active January 1, 2015 through December 31, 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 \$29,281,777 and a \$2.8 million disbursement to Tallahassee Community College for which no contractual agreement was in place. Five (5) of the 10 agreements were reviewed to determine if required contract provisions were included. Additionally, we reviewed the contract management files for all ten agreements. There were areas where improvements can be made. A summary of our review is included as Attachment A.

Tallahassee Community College (TCC)

Section 215.559, F. S. created the Manufactured Housing and Mobile Home Mitigation and Enhancement Program. The purpose of the program is to require the mitigation of damage to or the enhancement of manufactured and mobile homes and includes an education and outreach component to ensure that homeowners are aware of the benefits of the program. Although section 215.559(2)(b)(2) F.S. requires that monies appropriated for this program be distributed directly to **TCC**, it also describes the program as a grant program and includes programmatic requirements for the use of funds. This section has caused confusion as to whether this program should be treated as a direct distribution or as a grant program, requiring the execution of a written agreement. The Bureau's review of the legislative appropriation of the funds determined that an agreement would be required based on the classification of these funds as 'grant and aid'. The Division approved a payment of \$2.8 million to **TCC** for the Mobile Home Tie-Down Program upon the receipt of an invoice from **TCC** without entering into a written agreement for

services. In the future the Division should execute a written agreement with **TCC** which incorporates the current statutory requirements of section 215.971, F.S. including a clear scope of work, deliverables, financial consequences, and monitoring.

Contract Reviews

Financial Consequences

Effective July 1, 2010, section 287.058(1)(h) F.S., requires all service contracts to contain provisions for financial consequences an agency must apply if a provider fails to perform in accordance with a contract. The agreement with **DSM Technology Consultants** to install and support a disaster recovery environment at a remote site, does not contain financial consequences as required by statute. The agreement establishes performance measures concerning recovery times, but without financial consequences the provider has no incentive to meet these requirements.

Contract Management

Contract managers must enforce performance of the contract terms and conditions, review and document all deliverables for which payment is requested, provide written certification of the Division's receipt of goods and services, and ensure all payment requests are certified. Our audit disclosed that the Division had contract management deficiencies with six (6) agreements. Specifically, the following was noted:

Expenditures Outside Terms of Agreement

Grants may be charged only allowable costs resulting from obligations incurred during the specified funding period as referenced in CFO Memorandum No. 4 (2005-2006) and section 215.971(1)(d) F.S. Our audit found that the Division paid for services that were performed outside the agreements' terms on two (2) agreements.

- The federally-funded cost reimbursement agreement with the **City of Daytona Beach** to demolish and rebuild the West Wing of the Museum of Arts and Sciences above previous flooding levels was effective May 28, 2013. The expenditures to support the first cost reimbursement payment included invoices for services from November 24, 2012 to May 24, 2013. The Division paid \$447,531 for services performed as much as six months prior to the effective date of the agreement.
- The agreement with the **City of Pensacola** established an 18 month agreement term beginning May 6, 2014, the date of the Presidential Disaster Declaration (Declaration), and ending November 6, 2015. According to the Division, federal funding is available for up to eight (8) years after the Declaration, to pay for disaster related services; however, the Division has not extended the agreement's term to agree with the period the federal funds are available. As a result, the Division has approved payment for services provided after the agreement's expiration date. Our audit also found that the Division had not timely performed required close-out activities necessary to verify performance as required by the agreement, Division procedures and federal guidelines.

Advance Payments

The Division made advance payments to providers on four (4) of the ten agreements selected for review. The grant management files for three (3) of these four (4) agreements did not contain evidence that the Division verified the deposit of these advanced payments, totaling \$3,827,394, were made into interest bearing accounts, as required by the agreements. Without confirmation of the deposit of the advanced funds, the Division is unaware of the interest earned or how it is used.

- **City of Daytona Beach**
- **City of Pensacola**
- **Santa Rosa Island Authority**

Matching Funds Verification

The federally funded agreement with **Orange County** to enhance and maintain the county's emergency management program requires the county to provide a dollar for dollar match of the Federal funds awarded. Title 45, subsection 75.306(b), of the Code of Federal Regulations (CFR), requires that matching funds be verifiable from the non-Federal entity's records, are not included as match funding for another Federal award, and are necessary and reasonable for accomplishment of program objectives. At the time of our review, there was no evidence in the grant management file to evidence the Division's verification of the reported match for compliance with the CFR.

Final Reconciliation

Section 215.971, F.S. requires the grant manager to reconcile and verify all funds received against all funds expended during the grant agreement period and produce a final reconciliation report. At the time of our review, the **Orange County** contract management file did not contain evidence of the Division's reconciliation and verification of funds received to funds expended for the agreement ending June 30, 2015. The auditor's review of the contract management file revealed two (2) final reconciliation reports, both submitted by the sub-grantee (with differing non-Federal match amounts); however, the Division did not provide evidence that the reconciliation reports had been verified. In the future, the Division should ensure all funds received are reconciled and verified against all funds expended during the grant period in a manner that is independent of the provider's attestation.

Travel Reimbursements

Section 112.061(11)(b), F.S. requires the use of the State's travel voucher (form) when submitting travel expenses for approval and payment. Use of an alternate form may be approved by the Department of Financial Services (Department) pursuant to Chapter 69I-42(4), Florida Administrative Code. The form must include the purpose of the travel and the traveler's signature certifying that the claim is true and correct, that the travel expenses were actually incurred by the traveler and were necessary in the performance of official duties, and that the voucher conforms in every respect with the requirements of the statute.

Section 112.061, F.S. outlines the maximum reimbursement rates for mileage, meal allowances, and per diem expenses. In accordance with section 166.021(9)(b), a municipality may establish and pay travel rates that vary from section 112.061, F.S., if their per diem and travel expense policy is provided.

The Division reimbursed travel expenditures under four (4) of the 10 agreements selected for review. For three (3) of these four (4) agreements, the Division reimbursed travel that had not been submitted on an approved form, without the documentation necessary to verify travel rates and expenditures incurred and associated to the performance of services as established in the agreement, and without the required signature certifying the accuracy of the request. Specifically, we noted the following:

- The Division reimbursed the **City of Miami** for travel submitted on the City of Miami's "Travel Request and Expense Report" (travel request) without obtaining prior Department approval for the use of an alternate travel form. The City of Miami's travel requests did not include certification statements that the claims were true and correct, and incurred by the traveler in the performance of official duties.

In addition, the contract manager's file did not evidence the Division's receipt of the City of Miami's per diem and expense travel policy necessary to verify the rates used to calculate reimbursement nor did it include supporting documentation necessary to verify gas purchases, airport parking, or hotel/conference stays.

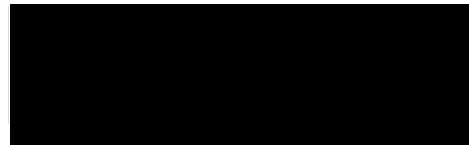
- The Division reimbursed the **City of North Lauderdale** for travel submitted on the City of North Lauderdale's "Mileage Reimbursement Form" without obtaining prior Department approval to use an alternate form. The form did not include the point of origin or destination for each entry necessary to evaluate the total number of miles driven.
- The Division reimbursed the **City of Daytona Beach** for mileage requested and submitted by the provider on the invoice. The request did not identify the number of miles traveled, the rate used to calculate the mileage, the name of the traveler, or the date travel expenses were incurred. In addition, the invoice did not include certification statements that the claims were true and correct and actually incurred by the traveler in the performance of official duties.

Mr. Bryan Koon
May 10, 2016
Page 6

Please provide the Division's corrective action plan which addresses how these deficiencies will be corrected for future contracts. This plan should include steps the Division will take to provide a system of quality control, including training, periodic management review, and feedback to Division 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,

A large black rectangular redaction box covering the signature area.

Christina Smith

**Attachment A
Division of Emergency Management**

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			
DEM-13-FM-23-06-74-02-476	City of Daytona Beach	\$ 4,379,816	Grant	NA*	NA*	NA*	NA*	N	NA	1
DEM-14-DS-L2-11-23-02-413	City of Miami	\$ 5,225,000	Grant	NA*	NA*	NA*	NA*	N	NA	1
DEM-15-RC-E6-11-16-02-221	City of North Lauderdale	\$ 376,000	Grant	Y	Y	Y	NA	N	NA	1
DEM-15-SP-8Z-01-27-01-533	City of Pensacola	\$ -	Grant	Y	Y	Y	NA	N	NA	1
ABC70C	Disasters, Strategies & Ideas G	\$ 1,996,000	Purchase Order	NA*	NA*	NA*	NA*	Y	NA	0
AC3DB2	DSM Technology Consultants LLC	\$ 845,193	Purchase Order	Y	N	NA	Y	Y	NA	1
DEM-13-MP-93-09-32-01-431	Glades County BOCC	\$ 5,000,000	Grant	Y	Y	Y	NA	Y	NA	0
DEM-15-FG-4D-06-58-01-115	Orange County	\$ 221,733	Grant	Y	Y	Y	NA	N	NA	1
DEM-08-HM-6G-01-27-08-057	Rebuild Northwest Florida	\$ 9,892,323	Grant	NA*	NA*	NA*	NA*	Y	NA	0
DEM-14-SL-8Q-01-27-02-440	Santa Rosa Island Authority	\$ 1,885,712	Grant	NA*	NA*	NA*	NA*	N	NA	1
N/A ¹	Tallahassee Community College	\$ 2,800,000	Grant	N	N	N	N	N/A ¹	NA	1
TOTAL NUMBER OF AGREEMENTS WITH DEFICIENCIES				1	2	1	1	6	0	11

NA* - Contract was reviewed by the Bureau of Auditing prior to this audit
NA¹-Agreement not in place