



CHIEF FINANCIAL OFFICER
JEFF ATWATER
STATE OF FLORIDA

June 15, 2015

Christina K. Daly, Secretary
Florida Department of Juvenile Justice
Knight Building
2737 Centerview Drive
Tallahassee, Florida 32399-3100

Dear Secretary Daly:

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 performed pursuant to sections 287.057 and 287.058(1), F.S. The CFO also issues memorandums that provide additional audit requirements.

The Bureau reviews contracts and grants to determine if:

- the agreement clearly establishes the tasks to be performed by the provider (has a clearly defined scope of work);
- 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; and
- the contract manager provided written certification for the receipt of goods and services.

The Bureau visits agencies and reviews contracts, along with the contract manager's files since many of the deficiencies in agency contract and grant agreements stem from poor contract management and a lack of effective monitoring. In addition to reviewing the contract documents, the Bureau evaluates the contract management function to determine if the agency is monitoring contractor performance and validating the actual delivery of goods and services. A written report is provided to the agency and a corrective action plan is requested to address any deficiencies noted during the review. To date, 30 audits have been completed. These audits are

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available on the Bureau website http://www.myfloridacfo.com/aadir/auditing_activity.htm.

An audit of 20 Department of Juvenile Justice (Department) agreements was performed in 2011, resulting in a contract management deficiency rate of 10%. In response, the Department submitted a corrective action plan (CAP). As a follow-up, we have concluded our audit of selected Department contracts and grants, and related management activities, for the period July 1, 2013, through June 30, 2014. 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 §287.058 or §215.971, F.S.
- Agencies must comply with the provisions of §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 Department's receipt of goods and services.

A total of 10 agreements, totaling \$202,271,952, were selected for audit. Of those selected, we reviewed three (3) agreements to determine if required contract provisions were included. There were no deficiencies identified.

Additionally, we reviewed the contract management files for all 10 agreements. There were areas where improvements can be made. A list of the agreements is included as Attachment A.

Contract/Grant Management

Contract and grant managers are responsible for the enforcement of contract terms and conditions and the review and acceptance of deliverables. The contract and grant managers are required to review all requests for payments and provide written certification of the receipt of goods or services.

Our audit disclosed that the Department had contract/grant management deficiencies with nine (9) agreements. Specifically, the following was noted:

- The Department validates filled and unfilled beds or slots in program facilities by comparing the provider's census reports to the Juvenile Justice Information System (JJIS) prior to approving payment. The Department allows the provider to enter into JJIS the date services begin and/or end and to modify these dates as necessary. Programmatic monitoring is conducted by the Department. A review of the monitoring reports for six (6) agreements included no evidence that JJIS service dates are verified during monitoring. For these six (6) agreements, the paid-to-date total is \$44,134,988.
 - **Bay Area Youth Services** (Diversion Program)
 - **AMIkids, Inc. North Region** (Probation Program)
 - **Florida Network of Youth and Families** (Prevention Program)
 - **Miami's River of Life, LLC** (Respite Program)
 - **Sequel TSI of Florida** (Detention Program)
 - **North Carolina Outward Bound** (Prevention Program)

- For two (2) agreements, the Department approved payments for services provided outside the terms of the agreement.
 - For the **Miami River of Life, Inc.** agreement, the provider is to be paid a unit rate for a maximum number of filled and unfilled beds per night. Based on our review of five invoices, we noted that for the December 2013 invoice, the Department paid compensation in excess of the maximum number of beds specified in the agreement.
 - For the **Bay Area Youth Services agreement**, the provider is to be paid based on daily filled slots. Based on our review of three invoices, we noted that for the October 2014 invoice, the Department paid compensation for a youth who participated beyond the maximum number of days without evidence of the required written approval prior to approving payment.

- For the **Broward County Board of County Commissioners (BOCC)** agreement, the Department did not assess financial consequences or institute a corrective action plan in accordance with agreement terms. The provider is to provide civil citation assessment services to youth in Broward County. Based on our review of three (3) invoices, we noted that the Department certified payment of all three (3) invoices for assessments that were not completed within the 14-day timeframe established by the agreement. Pursuant to the agreement terms, financial consequences totaling \$567, or 1% of the invoiced amount, should have been applied. Department management did not provide an explanation for why financial consequences were not applied.

- The contract management file did not contain documentation required by the agreement with **Disc Village, Inc.** The provider is compensated for each day the Juvenile Assessment Center (Center) is fully-staffed and operational. The provider is to submit the staff sign-in log with the monthly invoice necessary to validate deliverables. Department management was unable to provide the staff sign-in logs to demonstrate how the contract manager evaluated the accuracy of invoices. As of May 14, 2015, the paid-to-date total for this agreement is \$661,268.
- For the **Florida Network of Youth and Family Services** agreement, two (2) deficiencies were identified. Specifically we noted the following.
 - At the time of the audit, the Department was unable to demonstrate that monitoring had been conducted for the agreement. The agreement was executed on June 24, 2014, and is for the period July 1, 2014 through June 30, 2019. This provider subcontracts with service providers for direct client services. As of April 24, 2015, the paid to date total is \$33,945,918. In response to our review, the Department proactively initiated an administrative review of the provider on May 5, 2015.
 - The Department's contract management file did not include evidence that advanced funds totaling \$7,718,508 were managed in compliance with the terms of the agreement. The agreement required the provider to deposit advanced funds into an interest bearing account. Earned interest was to be remitted to the Department's contract manager quarterly. In response to our inquiry, Department management indicated that the provider paid the sub-contractors with the advanced funds provided for July through September 2014. The Department's contract management file did not contain documentation to evidence these payments.

Training

Each contract manager, responsible for agreements in excess of the \$35,000, is required to complete training conducted by the CFO for accountability in contracts and grant management. Effective December 1, 2014, each contract manager, responsible for contracts valued in excess of \$100,000, is required to complete training in contract management and become a certified contract manager. Florida Certified Contract Manager training is offered on a monthly basis by the Department of Management Services and the Department of Financial Services.

- For the **Justice Research Center** agreement, the contract manager had not attended Advancing Accountability training as required by statute. The contract manager would

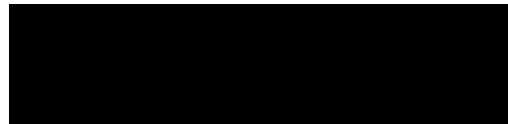
now be required to complete the Florida Certified Contract Manager training since the value of the agreement exceeds \$100,000.

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

Information on available contract manager training 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 [REDACTED] if you have any questions.

Sincerely,

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Christina Smith

Attachment A

Department of Juvenile Justice

				Contract/Grant Agreement						
Agreement Number	Service Provider	Contract Amount	Agreement Type	Scope of Work/Deliverables	Financial Consequences	State and Federal Financial Assistance	Other	Contract/Grant Management	Cost Analysis	TOTAL NUMBER OF AREAS WITH DEFICIENCIES
10064	Bay Area Youth Services, Inc	\$7,480,497	Standard Two Party Agreement	NA*	NA*	NA*	NA	N	NA	1
P2106	AMIKids, Inc., North Region	\$2,996,875	Standard Two Party Agreement	NA*	NA*	NA*	NA	N	NA	1
10128	Florida Network of Youth and Families	\$171,369,624	Grant	NA*	NA*	NA*	NA	N	NA	1
10120	Miami'S River of Life, Inc.	\$665,760	Standard Two Party Agreement	Y	Y	Y	NA	N	Y	1
R2040	Sequel TSI of Florida, LLC	\$11,665,980	Standard Two Party Agreement	Y	Y	Y	NA	N	NA	1
10073	DISC Village, Inc.	\$2,488,278	Standard Two Party Agreement	NA*	NA*	NA*	NA	N	NA	1
10099	North Carolina Outward Bound SC	\$4,542,940	Grant	NA*	NA*	NA*	NA	N	NA	1
10185	Georgetown University	\$315,886	Standard Two Party Agreement	NA*	NA*	NA*	NA	Y	NA	0
A91E88	Justice Research Center	\$176,120	Purchase Order	Y	Y	NA	NA	N	NA	1
10180	Broward County BOCC	\$569,992	Standard Two Party Agreement	NA*	NA*	NA*	NA	N	NA	1
TOTAL NUMBER OF AGREEMENTS WITH DEFICIENCIES				NA	NA	NA	0	9	0	9

Reviewed by the Bureau of Auditing prior to this audit

