



CHIEF FINANCIAL OFFICER
JEFF ATWATER
STATE OF FLORIDA

September 30, 2013

Mr. Michael D. Crews, Secretary
Department of Corrections
501 South Calhoun Street
Tallahassee, Florida 32399-2500

Dear Secretary Crews:

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(14) and 287.058(1), F. S. The CFO also issues memorandums that 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, twenty reviews have been completed and the results are available on the Bureau website

http://www.myfloridacfo.com/aadir/auditing_activity.htm.

FLORIDA DEPARTMENT OF FINANCIAL SERVICES

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We have concluded our review of selected Department of Corrections (Department) contracts effective on or after January 1, 2012, and related management activities. Our review focused on compliance with 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 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.

We reviewed 14 service contracts and five (5) grant agreements. There are several areas where improvements can be made.

Scope of Work and Deliverables

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 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 disclosed that the Department had scope of work and/or deliverable issues for four (4) agreements. Specifically, we noted the following:

- The scope of work for the agreement with Horizon Communities Corporation was not clearly defined as it did not specify the required minimum number of participants to be served. There was a provision in the contract to "keep records on the inmates" without an explanation of the purpose or types of records to be maintained.

In addition, the deliverables did not contain successful completion criteria. For example, the contractor was required to issue a certificate of completion to participants, but the agreement failed to define satisfactory completion of the class/activity.

- The agreement with Corporation to Develop Communities of Tampa required the contractor to input program services provided to participants into an electronic data tracking system to be used by the Department for contract management purposes, but did not specify the source documentation to be retained to evidence the delivery of those services.

- The deliverables for Non Secure Programs did not include services outlined in the scope of work essential to meet the objectives of the agreement. The provider was to provide community-based residential substance abuse treatment and employment/re-entry services. However; the deliverables were occupied beds defined in the agreement as available slots filled by a Department participant. The substance abuse treatment and employment/re-entry services were not identified as deliverables to be submitted for payment.
- Compensation under the agreement with Florida State University was not correlated with completed deliverables or achieving specific milestones prior to payment, but was determined solely by dividing the total amount of the agreement into quarterly payments.

Contract #	Service Provider	Contract Amount
C2756	Horizon Communities Corporation	\$197,100
C2711	Corporation To Develop Communities of Tampa	\$226,275
C2747	Non Secure Programs	\$843,523
C2724	Florida State University	\$315,890

Financial Consequences

Effective July 1, 2010, Section 287.058 (1), (h), F.S., requires 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 for Assetworks did not contain financial consequences for non-performance/non-compliance.
- Three agreements contained financial consequences; however, they were not effective in encouraging contract compliance. For example:
 - The financial consequence for Horizon Communities Corporation would be imposed only after “repeatedly failing” to provide the weekly 36 hours of Program Supervisor time at the four locations. The agreement does not include criteria to determine the meaning of “repeatedly failing.”
 - The financial consequences included in both the Constructive Resource and the Corporation to Develop Communities agreements were not related to the performance of services, but were to be applied for failure to submit a timely monthly report. Financial consequences should be correlated to the lack of performance, not to the submission of reports. Reports are only the method used to describe the services provided in a specified time period.

In addition, the financial consequence for Corporation to Develop Communities was to be applied at the end of the fiscal year, thus requiring the contractor to reimburse the Department.

Contract #	Service Provider	Contract Amount
PO117907	Assetworks	\$410,057
C2756	Horizon Communities Corp	\$197,100
C2712	Constructive Resource, Inc. dba Solar Source Insti	\$214,500
C2711	Corporation To Develop Communities	\$226,275

Provision of CFO Memorandum No. 4 (2005-2006)

Chief Financial Officer Memorandum No. 4 (2005-2006) lists the minimum requirements all agreements funded by state or federal financial assistance must include to maintain accountability over state and federal funding.

- Four agreements did not contain the required language for state financial assistance as required by CFO Memorandum No. 4 (2005-2006).

Contract #	Service Provider	Contract Amount
C2659	First Step of Sarasota, Inc	\$665,028
C2673	Fresh Start Ministries of Central Florida, Inc	\$219,200
C2747	Non Secure Programs	\$843,523
C2672	Transition House, Inc	\$306,880

Cost Analysis

Section 287.057(4), F. S., requires an agency to document its compliance with Section 216.3475, F. S., for the purchase of noncompetitively procured contractual services that exceed Category Two. The cost analysis should be performed prior to the award of the agreement to ensure the contractor is not billing for services at a cost greater than fair market value. Each agency shall maintain records to support a cost analysis, which includes a detailed budget submitted by the person or entity awarded funding and the agency's documented review of individual cost elements from the submitted budget to determine allowability, reasonableness, and necessity. CFO Memorandum No. 02, (2012-2013), requires agencies to complete the cost analysis on an approved Bureau form and maintain the completed cost analysis in the contract manager's contract file.

- The contract manager's file did not contain, nor was the Department able to provide, the cost analyses for Assetworks and Florida State University.

- The cost analyses for Horizon Communities Corporation and Tallahassee Community College were dated after execution of the agreements.

Contract #	Service Provider	Contract Amount
PO117907	Assetworks	\$410,057
C2724	Florida State University	\$315,890
C2756	Horizon Communities Corporation	\$197,100
C2749	Tallahassee Community College	\$1,348,267

Contract/Grant Agreement - Other

- Horizon Communities Corporation was included in the 2012-2013 General Appropriations Act as a line item appropriation under the Adult Offender Transition, Rehabilitation and Support Program. Florida Administrative Code 69I-5.005, requires 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 not able to provide the Florida Single Audit Act State Project Determination Checklist.

Contract #	Service Provider	Contract Amount
C2756	Horizon Communities Corporation	\$197,100

- The Department approved vendor status for a public university under the fixed price agreement with Florida State University. However, the agreement was funded by federal financial assistance and, according to OMB Circular A-133, public universities are considered a component of state government. As a vendor, Florida State University was not responsible for ensuring costs were allowable and reasonable under the federal program. Under the agreement, the Department could be held solely liable for reimbursing the federal government for disallowed costs.

Contract #	Service Provider	Contract Amount
C2724	Florida State University	\$315,890

- The grant agreement with Corporation to Develop Communities of Tampa allowed for cash incentive payments to participants; however the Department was not able to provide the state statutory authority for these payments. At the time of the review, the Department had paid \$390 to participants.

Contract #	Service Provider	Contract Amount
C2711	Corporation to Develop Communities	\$226,275

Contract/Grant Management

Contract/Grant managers must enforce performance of the contract terms and conditions; review and document all deliverables for which payment is requested; and provide written certification of the Division's receipt of goods and services and ensure all payment requests are certified.

Our review disclosed that the Department had Contract/Grant management issues with ten agreements. Specifically, the following was noted:

- The Department's contract management activity did not appear sufficient as payments were approved based on provider generated data such as invoices and status reports without documented validation by the Department. For example,
 - The agreement with Assetworks specified an estimated number of hours to complete each task; however, the Department did not require the contractor to submit project time sheets to document the number of hours worked on each task to support the hours billed.
 - The Department did not provide project timesheets and/or activity reports under the agreement with Corporation to Develop Communities to evidence that the salary charged to the agreement was properly allocated based on the percentage of time worked on the Department's agreement. One staff member was invoiced for 100% of total time worked, another was billed for 77.2% of total time worked, and the third was billed at 52.5% of total time worked.
 - The contracted staff for Unlimited Path of Central Florida was paid an hourly rate for services. The contractors' time sheets were approved by a Department staff person that did not have direct oversight of the contracted staff.
 - The Department did not provide evidence documenting written approval was provided by the Department prior to Horizon Communities Corporation entering into a subcontract under the agreement as required by the contract. Instead, documentation was provided stating verbal authority had been given.
 - The Department did not provide evidence that documentation was reviewed to ensure the provider was not exceeding the maximum number of participants in group counseling activities for the agreements with First Step of Sarasota, Inc., and Non Secure Programs.

Contract #	Service Provider	Contract Amount
PO117907	Assetworks	\$410,057
C2711	Corporation To Develop Communities	\$226,275
C2752	The Unlimited Path of Central Florida	\$2,148,821
C2756	Horizon Communities Corporation	\$197,100
C2659	First Step of Sarasota, Inc	\$665,028
C2747	Non Secure Programs	\$843,523

- For one agreement, the Department approved payment for services in the amount of \$24,260 prior to the execution of the agreement.

Contract #	Service Provider	Contract Amount
C2749	Tallahassee Community College	\$1,348,267

- The Department approved travel payments that were not in accordance with Section 112.061, Florida Statutes for two agreements. For example,
 - The travel expenditures for Assetworks were not submitted on a travel voucher. At the time of the review, the Department had paid \$10,376 in travel expenditures.
 - GDKN's travel expenditure reports did not require the traveler to sign a statement certifying to the truth and correctness of the claim in every material matter. In addition, the expenditure reports did not state the beginning and ending times of travel which is a requirement to determine the allowable rate for meals/per diem. A total of \$12,248 in travel expenditures had been paid, with \$1,998 of these costs meal/per diem allowances.

Contract #	Service Provider	Contract Amount
PO117907	Assetworks	\$410,057
PO146887	GDKN	\$1,304,894

- Documentation to evidence the Department had performed monitoring was not provided for one agreement.

Contract #	Service Provider	Contract Amount
S1704	Jackson County Hospital District	\$900,000

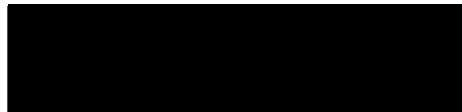
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Please provide the Department's corrective action plan which addresses how these deficiencies will be corrected for future contracts. This plan should include steps the Department will take to provide a system of quality control, including training,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

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 redacting the signature of Christina Smith.

Christina Smith

CS/sa