



FLORIDA
DEPARTMENT of
CORRECTIONS

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November 15, 2013

Ms. Christina Smith
Department of Financial Services
Division of Accounting and Auditing
Fletcher Building
200 East Gaines Street
Tallahassee, Florida 32399-0353

Dear Ms. Smith:

I am enclosing the Department's response to the audit review and findings mentioned in your letter dated September 30, 2013. This response reflects the specific action taken or contemplated to address the findings cited in your report.

Thank you for the opportunity to review and provide comments. If you have any questions or need additional information, please contact Jon Creamer, Chief, Bureau of Contract Management and Monitoring, at (850) 717-3961.

Sincerely,

Michael D. Crews
Secretary

Enclosure

Scope of Work and Deliverables

Issue No. 1:

Horizon communities Corporation Contract #C2756

The scope of work for the agreement with Horizon Communities Corp 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.

Agency Response: The Department agrees that contract did not specify the required minimum number of participants to be served as well as failed to define deliverables for successful completion criteria.

Corrective Action: The Department will amend the current contract to identify the type of records on participating inmates that Horizon Communities Corporation will maintain, provide a minimum number of participants to be served and define deliverables for successful completion criteria. Also, the Department has developed a comprehensive training that includes instruction in developing a well defined scope, service requirements, service limits and source documentation. Additionally, the Department will provide feedback to contract managers thru contract advisories concerning issues identified from the review **Attachment 2_DOC_Contract Advisory13-03**.

Issue No. 2:

Corporation to Develop Communities of Tampa Contract #C2711

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.

Agency Response: The Department relies specifically on documentation maintained in the case file for each program participant in reviewing the delivery of services provided by the contractor. The electronic data tracking system is a reflection of the program participant information, which includes education information, job placement information, child support obligations, housing, substance assessment/treatment, mental health services, counseling, social services, legal, vocation training and other services.

Corrective Action: The Department will reevaluate source documentation requirements for electronic data tracking systems to ensure specific information is required and retained as evidence for delivery of services for program participants. The Department will also provide feedback to appropriate personnel thru contract advisories concerning issues identified from the review. See attached **Attachment 2_DOC_Contract Advisory13-03**. Additionally, the Department has taken steps to correct future issues by developing a comprehensive training for contract managers that includes instruction in developing a well defined scope, service requirements, service limits and source documentation.

Issue No. 3:

Non Secure Programs Contract #C2747

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.

Agency Response: The per diem rate for the occupied beds in the contract with Non Secure Programs #C2747 (expired) was inclusive of the community-based residential substance abuse treatment and employment/re-entry services defined in Section II. B, Service to be provided. However, the Department agrees the contract did not adequately define the deliverables associated with per diem rates for non residential beds.

Corrective Action: The Department has taken steps to correct future issues by developing a comprehensive training for contract managers that includes instruction in developing a well defined scope, service requirements, service limits and source documentation. Also, the Department will provide feedback to appropriate personnel thru contract advisories concerning issues identified from the review. See attached **Attachment 2_DOC_Contract Advisory13-03**. Additionally, the Department's Bureau of Contract Management and Monitoring has developed review criteria to be utilized before contract execution to ensure requirements are clearly specified and contained in Department contracts (i.e. utilization of a contract checklist).

Issue No. 4:

Florida State University Contract #C2724

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.

Agency Response: The Department agrees the contract did not adequately correlate the compensation section with completion of deliverables under Contract #C2724.

Corrective Action: The Department will work with the contractor to address the concerns with the lack of achieving specific milestones for payment. Also, the Department has taken steps to correct future issues by developing a comprehensive training for contract managers that includes instruction in developing a well defined scope, service requirements, compensation, service limits and source documentation. Additionally, the Department will provide feedback to contract managers thru contract advisories concerning issues identified from the review. See attached **Attachment 2_DOC_Contract Advisory13-03**.

Financial Consequences

Issue No. 1:

Assetworks (PO# 117907)

The agreement for Assetworks did not contain financial consequences for non-performance/non-compliance.

Agency Response: The Department agrees that the financial consequences in the referenced purchase order were not clearly defined or clearly related to the performance of services.

Corrective Action: The Department will work with the contractor to address the concerns with the lack of financial consequences in the referenced purchase order. Also, the Department has taken steps to correct future issues by developing a comprehensive training for contract managers that includes instruction in developing a well defined scope, service requirements, service limits and source documentation. Additionally, the Department will provide feedback to contract managers thru contract advisories concerning issues identified from this review. See attached **Attachment 2_DOC_Contract Advisory13-03**.

Issue No. 2:

Horizon Communities Corporation Contract # C2756
Constructive Resource Contract# C2712
Corporation to Develop Communities Contract # C2711

Three agreements contained financial consequences; however, they were not effective in encouraging contract compliance. For example:

- The financial consequence for Horizon Communities Corp 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.

Agency Response: The Department believes that in some instances reports may be determined to be a deliverable, if required within a certain timeframe even if not related to a payment. However, the Department agrees that identified issues with financial consequences in the referenced contracts were not clearly defined or related to the performance of services.

Corrective Action: The contract with Constructive Resource #C2712 has been cancelled and the contract with Corporation Develop Communities #C2711 will be expiring in December 2013. However, the Department is currently working with Horizon Communities Corp #C2756 to amend the contract to clearly define expectations in performance. The Department has taken steps to correct future issues by developing a comprehensive training for contract managers that includes instruction in developing a well defined scope, service requirements, service limits and source documentation. Also, the Department will provide feedback to contract managers thru contract advisories concerning issues identified from the review. See attached **Attachment 2_DOC_Contract Advisory13-03**.

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

Issue No. 1:

First Step of Sarasota (#C2659), Fresh Start Ministries of Central FL (#C2673, Non Secure Program (#C2747), and Transition House, Inc. (#C2672)

Four agreements did not contain the required language for state financial assistance as required by CFO Memorandum #4(2005-2006).

Agency Response: In the identified contracts Section VII., A., 2, Audit Records incorporated Attachment #1 as a part of the contract to meet the requirement of state financial assistance as required by CFO Memorandum No. 4 (2005-2006).

Corrective Action: The Bureau of Contract Management and Monitoring will ensure required language concerning CFO Memorandum No. 4 (2005-2006) is included in contracts thru quality reviews before contract execution. The Department will incorporate the required language into future contracts to specifically meet this requirement and will provide feedback to appropriate personnel thru a contract advisory concerning the issue identified from the review. See attached **Attachment 2_DOC_Contract Advisory13-03**.

Cost Analysis

Issue No. 1:

Assetworks (PO# 117907) and Florida State University Contract # C2724

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

Agency Response: The Department did not recognize that a cost analysis was required for an approved sole source (Assetworks), Government Entities (Florida State University) or awarded grants (Florida State University).

Corrective Action: In order to address future actions concerning failure to timely perform cost analyses the Department will conduct quality reviews prior to execution of agreements (i.e. utilization of a contract checklist). Also, the Department has developed a comprehensive training for contract managers that include specific instruction on development of cost analyses and when it is to be utilized in contracting services. Additionally, the Department will provide feedback to appropriate personnel thru a contract advisory concerning requirements for cost analyses. See attached **Attachment 2_DOC_Contract Advisory13-03**.

Issue No. 2:

**Horizon Communities Corporation Contract # C2756
Tallahassee Community College Contract # C2749**

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

Agency Response: The Department did not recognize that a cost analysis was required for line item appropriations (Horizon) or Governmental Entities (Tallahassee Community College). Horizon Communities Corporation was included in the 2012-2013 General Appropriations Act. The Department completed the cost analyses for the contracts once it was identified during the review. However, the Department agrees that cost analyses for Horizon Communities Corporation and Tallahassee Community College were completed after execution.

Corrective Action: In order to correct future actions concerning failure to timely perform cost analyses the Department will conduct quality reviews prior to contract execution thru utilization of a contract checklist. Also, the Department has developed a comprehensive training for contract managers that include specific instruction on development of cost analyses and when it is to be utilized in contracting services. Additionally, the Department will provide feedback to appropriate personnel thru a contract advisory concerning requirements for cost analyses. See attached **Attachment 2_DOC_Contract Advisory13-03**.

Contract/Grant Agreement – Other

Issue No. 1:

Horizon Communities Corporation Contract # C2756

Horizon Communities Corp was included in the 2012-2013 General Appropriations Act as a line item appropriation under the Adult Offender Transition, Rehabilitation and Support Program a line item appropriation. 69I-5.005, Florida Administrative Code 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.

Agency Response: The Department completed the FSAA_CL1 form entitled "Florida Single Audit Act State Project Determination Checklist" for Transitional Services – Pre-Release for contract services of this type and provided a copy during the review. See attached **Attachment1_FSAA_CL1**. Also, the DFS-A2-NS form entitled "Florida Single Audit Act Checklist for non-state Organizations – Recipient/Sub-recipient VS. Vendor Determination" was completed on September 20, 2012 (contract start date was November 1, 2012). It was determined by this checklist that Horizon Communities Corporation was a vendor for this service.

Corrective Action: The Department will address the requirements of the Florida Single Audit Act thru dissemination of a contract advisory to appropriate personnel (i.e. contract managers). See attached **Attachment 2_DOC_Contract Advisory13-03**. Also, quality reviews will be conducted by the Bureau of Contract Management and Monitoring during contract execution thru a contract checklist and file reviews.

Issue No. 2:

Florida State University Contract # C2724

The Department approved vendor status for a public university under the fixed price agreement with Florida State University. 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.

Agency Response: The Department identified the contractor as a vendor, not a sub-recipient of state assistance. However, the determination of federal assistance was not completed by the Department.

Corrective Action: In order to correct the identified issue the Department will develop a checklist for determining and verifying sub-recipient vs. vendor for federal funds. Also, the Department will provide feedback Contract Managers thru a contract advisory concerning completion of the Single Audit Act Checklist for Recipient/Sub-recipient vs. Vendor Determination. See attached **Attachment 2_DOC_Contract Advisory13-03**. Additionally, quality reviews will be conducted by the Bureau of Contract Management and Monitoring during contract execution thru a contract checklist.

Issue No. 3:

Corporation to Develop Communities of Tampa Contract # C2711

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.

Agency Response: The incentive payments were approved in the grant budget by the Bureau of Justice Assistance and were an allowable cost for the project. However, the Department agrees that it lacked the statutory authority for incentive payments to participants.

Corrective Action: The Department will ensure all Contract Managers are made aware that incentives are not statutorily authorized via a contract advisory. See attached **Attachment 2_DOC_Contract Advisory13-03**.

Contract/Grant Management

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:

Issue No. 1:

Assetworks (PO# 117907)

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.

Agency Response: The major milestones for the implementation were identified on page 11 of the agreement attached to the purchase order. Specified tasks were identified with start and ending dates, which were finalized during the Implementation Planning by the agreement manager. Also, milestones for implementation were subject to change during actual implementation progress as specified by the agreement.

Corrective Action: In order to address future actions concerning contract management activity the Department has developed a comprehensive training for contract managers, which included specific instruction on invoice approval and payments. Also, the Department will provide feedback to appropriate personnel on documentation requirements for invoicing thru a contract advisory. See attached **Attachment 2_DOC_Contract Advisory13-03**.

Issue No. 2:

Corporation to Develop Communities Contract# C2711

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.

Agency Response: The Department collects payroll detail from the contractor, which provided information on salary, days worked, time and specific activities performed by the contractor's staff.

Corrective Action: The Department has notified the vendor of this requirement and is now receiving timesheets as back up documentation on all invoices. Also, the Department has developed a comprehensive training for contract managers that include instruction in developing a well defined scope, service requirements, service limits and source documentation. Additionally, the Department will provide feedback to contract managers thru contract advisories concerning issues identified from the review. See attached **Attachment 2_DOC_Contract Advisory13-03**.

Issue No. 3:

Unlimited Path of Central Florida Contract C2752

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.

Agency Response: The Department utilizes institutional personnel in the management of contract staff when they are located at or assigned to an institution. The personnel involved in directing or approving contractor's actions are most often the Wardens and/or Assistant Wardens for the facility. These supervisory positions at the facility assist with the responsibility for ensuring contractor's performance and adherence to contract terms. The Assistant Warden of Programs at the Institution is responsible for any program being conducted on institutional grounds. When the Assistant Warden of Programs is off institution grounds, they have a designee (Warden, Assistant Warden of Operations, or Duty Warden), thus ensuring observation of program operations on a daily basis. Also, there are several verification mechanisms available to an institutional staff signing timesheets. Key logs, control room logs, body alarm logs, logs at center gate, and camera footage have all been used by institutional staff to verify timesheets. Additionally, there is a second review of the timesheets by the Local Contract Coordinator, who can also review any of the verification mechanisms described above.

Corrective Action: The Department's Program areas will continue to work with Warden and/or Assistant Warden of Programs at institutions to improve the management of contracted staff.

Issue No. 4:

Horizon Communities Corporation Contract # C2756

The Department did not provide evidence documenting written approval was provided by the Department prior to Horizon Communities Corp entering into a subcontract under the agreement as required by the contract. Instead, documentation was provided stating verbal authority had been given.

Agency Response: The Contract Manager initially provided verbal authorization to the Contractor, but failed to provide written approval for subcontracting as required by the contract. The Contract Manager has since notified the contractor in writing of the approval and added the notification to the contract file.

Corrective Action: The Department has developed a comprehensive training for contract managers that include specific instruction roles and responsibilities of contract managers and how they relate to performance of contract requirements. Also, the Department will provide feedback to appropriate personnel thru a contract advisory concerning requirements for subcontracting and communication involving contract requirements. See attached **Attachment 2_DOC_Contract Advisory13-03**.

Issue No. 5:

First Step of Sarasota, Inc. (C2659) and Non Secure Programs, Inc. (C2747)

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.

Agency Response: The Department's Contract Manager observes groups and group size during the Program Site Visits and during Comprehensive Program Evaluation. However, the Department agrees that there was not sufficient documentation provided to ensure the Contractor was not exceeding the maximum number of participants in group counseling.

Corrective Action: The Contract Manager will develop and utilize mechanisms to ensure proper documentation is provided to ensure the maximum number of participants is not exceeded.

The Department has taken steps to correct future issues by developing a comprehensive training for contract managers that includes instruction in developing a well defined scope, service requirements, service limits and source documentation. Also, the Department will provide feedback to contract managers thru contract advisories concerning issues identified from the review. See attached **Attachment 2_DOC_Contract Advisory13-03**.

Issue No. 6:

Tallahassee Community College Contract C2749

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

Agency Response: The Department agrees that payment for services was paid under the contract prior to execution of the contract. The payment was due to the vendor under another contract number, but the Department failed to request separate invoices for the two contracts.

Corrective Action: In order to correct future actions concerning this, the Department has developed a comprehensive training for contract managers that include specific instruction roles and responsibilities of contract managers and how they relate to invoicing and payment verification. Also, the Department will provide feedback to appropriate personnel thru a contract advisory concerning appropriate payment of services. See attached **Attachment 2_DOC_Contract Advisory13-03**.

Issue No. 7:

Assetworks (PO#117907) and GDKN (PO#326974)

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.

Agency Response: The purchase orders for Assestworks and GDKN state that all travel payments should be submitted in accordance with Section 112, Florida Statutes for travel. Initially the travel for GDKN was submitted on GDKN travel vouchers. Also, travel for Assetworks was submitted on a travel voucher in accordance with Section 112, Florida Statutes. However, the Department agrees that not all travel vouchers for Assestworks and GDKN purchase orders were submitted and processed with a State travel voucher.

Corrective Action: The Department has corrected the issue since the review by requiring Assetworks and GDKN to submit travel on a State travel voucher utilizing State reimbursement rates. Also, the Department has developed a comprehensive training for contract managers that include specific instruction roles and responsibilities of contract managers and how they relate to invoicing and payment verification. Additionally, the Department will provide feedback to appropriate personnel thru a contract advisory concerning appropriate payment of services. See attached **Attachment 2_DOC_Contract Advisory13-03**.

Issue No. 8:

Jackson County Hospital S1704

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

Agency Response: This contract was considered a low dollar and low risk contract; and, the Department was also in the process of privatizing all of Health Services. Therefore, the Office of Health Services chose to devote their limited resources to monitoring other high risk contracts. Jackson Hospital has been cancelled effective October 13, 2013.

Corrective Action: The Department has implemented a requirement that each contract manager provided a monitoring plan and schedule for their assigned contracts. The Bureau of Contract Management and Monitoring unit will review and track monitoring plans to ensure compliance with Department policies and procedures and contract terms. Also, the Department will provide feedback to Contract Managers thru a contract advisory concerning requirements for monitoring to correct issues cited. See attached **Attachment 2_DOC_Contract Advisory13-03**.