



CHIEF FINANCIAL OFFICER
JEFF ATWATER
STATE OF FLORIDA

May 20, 2016

Ms. Pam Stewart, Commissioner
Department of Education
Turlington Building, Suite 1514
325 West Gaines Street
Tallahassee, Florida 32399

Dear Commissioner Stewart;

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

FLORIDA DEPARTMENT OF FINANCIAL SERVICES

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AFFIRMATIVE ACTION • EQUAL OPPORTUNITY EMPLOYER

The Bureau conducted an audit of 25 Department of Education (Department) agreements in 2012. Our audit disclosed a contract deficiency rate of 76% and a management deficiency rate of 88%. In response, the Department 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 Department 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 \$121,601,224. Each agreement was reviewed 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 summary of our review is included as Attachment A.

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 Department's receipt of goods and services, and ensure all payment requests are certified.

Our audit disclosed that the Department had contract management deficiencies with four (4) agreements. Specifically, the following was noted:

Verification of Eligibility

Section 1002.385, F. S., established the Florida Personal Learning Scholarship Accounts Program to provide the option for a parent to better meet the individual educational needs of his or her eligible child. Subsection 1002.385(13)(b), F. S required that funding for the students be released based on the scholarship funding organization's student eligibility determination. The Department's verification of eligibility occurred subsequently throughout the school year based on public school student enrollment lists and the listing of students enrolled in other school choice scholarship programs.

Between September 2015 and November 2015, the Department made four (4) payments to the scholarship funding organization **Step Up for Students** totaling \$37,977,030 to fund 3,647 Personal Learning Scholarship Accounts (PLSA) and pay associated administrative fees. In December 2015, the Department compared the students who received PLSA's against students enrolled in public school as of October, 2015 as reported by the school districts and discovered that 114 of the 3,647 students were identified as being enrolled in public schools and, therefore, not eligible under the program.

In a letter dated February 2, 2016, the Department asked **Step Up** for Students to reimburse \$1,203,999 (\$1,168,931 scholarships, plus \$35,068 in administrative fees), which represented payments made earlier for the 114 students. The Department included a spreadsheet identifying the ineligible 114 students, the month the Department was invoiced for each student, the scholarship amount, the associated administrative fees and the name of the public school where the student was enrolled.

On February 18, 2016, **Step Up for Students** refunded a total of \$1,066,920; \$137,079 short of the total refund requested by the Department. When asked about the discrepancy, the Department responded by saying: "The difference is the cumulative amount of funds expended by the 114 students prior to their being found ineligible to continue participation in the program."

In addition, along with the refund, **Step Up** identified 113 of the 114 students, the scholarship funds returned for each student, and the associated 3% administrative allowance. **Step Up** did not provide supporting documentation for the \$137,079 not returned to the Department such as the funds expended for the students and the students' dates of enrollment in the scholarship program. Without the actual dates of enrollment and the expenditure data for the students making up the \$137,079, the Department has no way to verify that the students were ever eligible for the program and that the amount of the refund was correct.

On January 21, 2016, Chapter 2016-2, Laws of Florida, made a number of changes to Section 1002.385, F.S. Effective July 1, 2016, parents who file a final verification document shall receive scholarship funds before the Department confirms program eligibility. The final verification document must consist of one of the following items:

- A completed withdrawal form from the school district, if the student was enrolled in a public school before the determination of program eligibility;
- A letter of admission or enrollment from an eligible private school for the fiscal year in which the student wishes to participate and, if applicable, a copy of the notification from the private school that the student has withdrawn from the John M. McKay Scholarships Program or the Florida Tax Credit Scholarship Program; or
- A copy of the notice of the parent's intent to establish and maintain a home education program or the annual educational evaluation of the student in a home education program.

For those parents who have not submitted a final verification document, the Department is not required to release scholarship funds prior to determining student eligibility.

Monitoring

CFO Memo No. 6 (2011-2012) requires the Department to have a formal contract monitoring process that includes an established monitoring plan, monitoring procedures and criteria, and evidence to support conclusions reached during its monitoring process.

The Department conducted three site visits to **The Seed School of Miami** and documented observations on a "Site Visit Report"; however, the report did not evidence the Department's verification of student eligibility, enrollment, or other programmatic requirements established in the agreement. Upon the auditor's inquiry, the Department stated that there is no formal monitoring plan or written monitoring procedures specific to the agreement.

Additionally, the Department stated that they engaged in ongoing communications with the Miami Dade School District to monitor for any concerns or issues that may need to be addressed with The Seed School and relied on the school district's regular monitoring of The Seed School of Miami. The contract management file, however, contained no documentation of the school district's monitoring visits or the on-going communications with the school district.

Vendor Recipient Determination Checklist

Chapter 69I-5.006, Florida Administrative Code (F.A.C.) requires the use of the Florida Single Audit Act Checklist for Non-State Organizations, Recipient /Subrecipient vs. Vendor Determination. The checklist is designed to determine the applicability of the Florida Single Audit Act to non-state organizations. State agencies, recipients, and subrecipients that provide state financial assistance to non-state organizations shall complete this form and retain it in their records.

The Department's agreement with **Edward Waters College** provides state financial assistance for student access and retention and direct instruction. At the time of the audit the contract management file did not contain the required checklist. Instead, the Department completed the form upon the auditor's request for the document on January 26, 2016.

Travel Reimbursements

Section 112.061(11), 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), F.A.C.. The form must include the purpose of the travel, 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.

The Department reimbursed **Redlands Christian Migrant Association (RCMA)** for travel expenditures without the submission of the State's travel voucher or an approved alternate form. Instead, the Department approved reimbursement for travel upon the submission of receipts and mileage logs that did not include dates of travel, departure or arrival times, mileage, per diem rates, the purpose of the travel, or evidence of program activities during the travel period.

In addition, mileage logs for daily travel did not contain documentation necessary to verify the distance driven between the point of origin and the destinations, but relied on odometer readings instead of calculating mileage based on Florida Department of Transportation's map mileage or other map program to calculate and document mileage as required by statute.

Risk Analyses

The Department's Project Application and Amendment Procedures for Federal and State Programs (Green Book) requires the completion of a risk analysis by school districts, state colleges, state universities, state agencies and governmental and non-governmental entities. A portion of each risk analysis is completed by the provider and returned to the Department for review. The risk analysis serves as a tool for the contract manager to use to assess the frequency of monitoring and to prioritize the specific requirements of the agreement to be included in the monitoring plan. Approval of the completed risk analysis must be gained prior to a project award being issued.

The risk analyses for **Step Up for Students** and **Edward Waters College** were not found in the contract management files. The Department stated that the assessments were due from the providers on July 1, 2015 however; each provider had been given an extension through January 15, 2016. As of February 7, 2016, the Department had not provided the assessments.

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 Department 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,

[REDACTED]

Christina Smith

Attachment A

Department of Education

				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
92X-90025-6Q001	STEP UP FOR STUDENTS INC	\$ 46,350,000	GRANT	NA*	NA*	NA*	Y	N
757-2446B-6PCC2	CENTRO CAMPESINO THE FARMWORKER	\$ 407,070	GRANT	Y	Y	Y	Y	Y
V1023	TEACHING STRATEGIES LLC	\$ 7,547,483	STANDARD 2 PARTY	NA*	NA*	NA*	NA*	Y
ACD9E8**	MGT OF AMERICA, INC.	\$ 234,360	PURCHASE ORDER	Y	Y	Y	Y	Y
SR556	REDLANDS CHRISTIAN MIGRANT ASSO.	\$ 37,890,000	STANDARD 2 PARTY	NA*	NA*	NA*	NA*	N
854-94540-6Q001	EDWARD WATERS COLLEGE	\$ 3,929,526	GRANT	Y	Y	Y	Y	N
060-92915-5S001	BROWARD COUNTY SCHOOL BOARD	\$ 3,623,012	GRANT	NA*	NA*	NA*	NA*	Y
14-821	THE SEED SCHOOL OF MIAMI	\$ 3,500,000	STANDARD 2 PARTY	NA*	NA*	NA*	NA*	N
15-581	FLORIDA LIONS CONKLIN CENTER	\$ 4,690,290	STANDARD 2 PARTY	NA*	NA*	NA*	NA*	Y
SR176	ESCAMBIA COUNTY SCHOOL READINESS	\$ 13,429,483	GRANT	NA*	NA*	NA*	NA*	Y
TOTAL NUMBER OF AGREEMENTS WITH DEFICIENCIES				0	0	0	0	4