



CHIEF FINANCIAL OFFICER
JEFF ATWATER
STATE OF FLORIDA

August 25, 2015

Mr. Samuel P. Verghese, Secretary
Department of Elder Affairs
4040 Esplanade Way
Tallahassee, Florida 32399-7000

Dear Secretary Verghese:

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 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, 33 audits have been

completed and the results are available on the Bureau website,
http://www.myfloridacfo.com/aadir/auditing_activity.htm.

An audit of 19 Department of Elder Affairs (Department) agreements was performed in 2011, resulting in a contract management deficiency rate of 10.53%. 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 active January 1, 2014 through December 31, 2014, 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 Department's receipt of goods and services.

Our audit included a review of ten agreements totaling \$38,146,293. Two (2) of the 10 agreements were reviewed to determine if required contract provisions were included. 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.

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.

- The one (1) year agreement, totaling \$222,801, with the **University of South Florida** is to provide diagnostic evaluations and follow-up care for individuals with memory disorders. The agreement stipulates quarterly payments at a fixed price without establishing the minimum level of service required to be met before quarterly payment can be made.

Contract/Grant Management

Contract and grant managers must enforce performance 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/Grant management deficiencies with seven (7) agreements. Specifically, the following was noted:

- The activities to validate the receipt of services prior to payment were insufficient for three (3) agreements.
 - **Propio LS, LLC** is to provide translation services to the Department for callers who have the limited ability to speak and understand English. The agreement establishes compensation at a fixed unit rate for each minute of translation services. The Department does not verify the number of minutes billed prior to payment and does not verify minimum performance measures were met prior to payment. Since the March 2014 contract execution, the Department has made payments totaling \$68,060, for these services.
 - The **Area Agency on Aging-Palm Beach Treasure Coast** and **Alliance for Aging** subcontract with direct service providers for a variety of services to elderly citizens, such as meals and transportation. Compensation is established as a unit rate for each service provided. The Department approves monthly payment for "Adjusted Previous Units" provided in prior months. The auditor requested documentation to support the unit adjustments necessary to evaluate the invoice for correctness. The Department provided reports of services along with sub-provider invoices, but did not provide detail sufficient to identify the specific service units and service period for which the adjustments were made.
- Contract management files for four (4) agreements did not contain evidence that advanced funds totaling \$4,035,934 were deposited in an interest bearing account, as required by the agreement and/or federal guidance. In addition, the contract management

file did not document any interest returned to the Department quarterly as specified in the agreement. The agreements are:

- **Area Agency on Aging of Palm Beach Treasure Coast, Inc.**
 - **Alliance for Aging, Inc.**
 - **Experience Works, Inc.**
 - **Northwest Florida Agency on Aging**
- The agreements with **Area Agency on Aging of Pasco-Pinellas, Inc** and **Northeast Florida Agency on Aging d/b/a Elder Source** give the provider the option to deposit advanced funds into an interest bearing account, and require the return of any interest earned to the Department quarterly. The Department did not provide evidence of the disposition of advanced funds totaling \$739,023 at the time of the audit. Without knowledge of the disposition of these funds, the Department would not know if interest was earned and due to the Department quarterly.

Contract/Grant Management-Other

Prior to execution of an agreement, state agencies must determine whether they are awarding state financial assistance to a recipient or procuring goods and services from a vendor. CFO Memorandum #3 (2014-2015) and section 69I-006, Florida Administrative Code requires state agencies, recipients, and sub-recipients that provide state financial assistance to non-state organizations to complete the Florida Single Audit Act Checklist for Non-State Organizations – Recipient/Sub-recipient vs. Vendor Determination (checklist) and retain a copy of the completed checklist in their files.

- The Department did not complete the checklist prior to execution of the agreements with **Area Agency on Aging Pasco-Pinellas, Inc.** and **Northeast Florida Area Agency on Aging, Inc. d/b/a Elder Source.**

Section 287.057(14) F.S., requires that each contract manager who is responsible for agreements in excess of the threshold amount for CATEGORY TWO under section 287.017, F.S., must, at a minimum, complete training conducted by the Chief Financial Officer for accountability in contracts and grant management.

- The Contract Manager for the agreement with **Experience Works** had not attended Advancing Accountability training within the timeframe required by CFO memoranda. Additionally, pursuant to section 287.057(14), F.S., the Department's contract manager or **Experience Works** would now be required to complete the Florida Certified Contract Manager training which incorporates material from Advancing Accountability.

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.

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 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 Elder Affairs

				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
IA014	Area Agency on Aging of Palm Beach Treasure Coast, Inc	\$8,128,129	Grant Agreement	N/A*	N/A*	N/A*	N/A*	N	Y	1
KA014	Alliance for Aging, Inc	\$15,462,072	Grant Agreement	N/A*	N/A*	N/A*	N/A*	N	Y	1
GX014	Area Agency on Aging of Central Florida Inc d/b/a Senior Resource Alliance	\$556,733	Grant Agreement	N/A*	N/A*	N/A*	N/A*	Y	NA	0
EH014	Area Agency on Aging of Pasco-Pinellas, Inc	\$669,306	Grant Agreement	N/A*	N/A*	N/A*	N/A*	N	Y	1
XA414	Experience Works	\$4,225,571	Standard Two Party	N/A*	N/A*	N/A*	N/A*	N	NA	1
DC014	Northeast Florida Area Agency on Aging, Inc d/b/a ElderSource	\$4,989,746	Grant Agreement	N/A*	N/A*	N/A*	N/A*	N	Y	1
AA014	Northwest Florida Area Agency on Aging	\$2,972,562	Grant Agreement	N/A*	N/A*	N/A*	N/A*	N	Y	1
XQ499	Propio LS, LLC	\$184,950	Standard Two Party	Y	Y	Y	Y	N	NA	1
FN013	Senior Connection Inc	\$734,423	Grant Agreement	N/A*	N/A*	N/A*	N/A*	Y	Y	0
XZ401	The University of South Florida Board of Trustees	\$222,801	Grant Agreement	N	Y	Y	Y	Y	Y	1
TOTAL NUMBER OF AGREEMENTS WITH DEFICIENCIES				1	0	0	0	7	0	8

NA* - Contract was reviewed by the Bureau of Auditing prior to this audit