



CHIEF FINANCIAL OFFICER
JEFF ATWATER
STATE OF FLORIDA

August 28, 2014

Colonel Mike Prendergast, Executive Director
Florida Department of Veterans' Affairs
11351 Ulmerton Road, Suite 311-K
Largo, Florida 33778-1630

Dear Colonel Prendergast:

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.

FLORIDA DEPARTMENT OF FINANCIAL SERVICES

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To date, 24 reviews have been completed and the results are available on the Bureau website. http://www.myfloridacfo.com/aadir/auditing_activity.htm.

We have concluded our review of selected Department of Veterans' Affairs (Department) contracts effective on or after May 21, 2012 and related management activities. Our review focused on compliance with the following statutory requirements:

- Contract agreements must contain a clear scope of work.
- Contract agreements must contain deliverables that are quantifiable, measurable, verifiable and directly related to the scope of work.
- Contract 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 nine (9) agreements. There are several areas where improvements can be made.

Scope of Work and Deliverables

Each service contract and 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 issues for five (5) agreements. Specifically, we noted the following:

- Four (4) agreements to secure the services of a medical director for Veteran Affairs' nursing homes did not always require the provider to maintain adequate documentation needed to evidence completion of tasks, such as monthly signed activity logs.

Contract #	Service Provider	Contract Amount
A77FB6	E. Rawson Griffin III MD	\$38,400
A5B900	Mark L. Callman, MD	\$40,500
A76C5D	Rezeq Bataineh, MD	\$43,200
A78839	Sandford H. Kinne III, DO, PA	\$51,000

- The Department entered into an agreement with Ron Sachs Communications (Ron Sachs) for marketing services. In general, the agreement had no scope of work or deliverable issues; however, the agreement included a provision allowing the department to request additional services, which the Department exercised by executing three (3) amendments totaling \$135,421. The amendments did not fall within the original scope of work and did not clearly establish the tasks the provider was required to perform. For example, the Department attempted to procure a social media campaign, public service announcements, pop-up displays and web site maintenance with the execution of Amendment #1. The tasks identified in the agreement were vague and did not provide enough detail to clearly establish what was to be done.

In addition, the agreement did not require the vendor to maintain documentation to evidence the completion of tasks. Instead, the amendments required payment to be made from the submission of monthly activity reports.

Contract #	Service Provider	Contract Amount
FDVA-ITN-12-003N	Ron Sachs Communications, Inc.	\$225,421

Our review disclosed that the Department had deliverable issues for seven (7) agreements. Specifically, we noted the following:

- Four (4) agreements to secure medical director services did not include a provision requiring the minimum level of performance in order to be paid. Instead, the required monthly services were defined by the contract with vague terminology such as “assist”, “participate” and “assure” without specifying what level the contractor was required to perform these duties in order to receive payment.

Contract #	Service Provider	Contract Amount
A77FB6	E. Rawson Griffin III MD	\$38,400
A5B900	Mark L. Callman, MD	\$40,500
A76C5D	Rezeq Bataineh, MD	\$43,200
A78839	Sandford H. Kinne III, DO, PA	\$51,000

- The agreement with the accounting firm Moore Stephens Lovelace, P.A. was to prepare annual Medicare and Medicaid cost reports. The agreement did not include the dates the reports were to be delivered to the Department.

Contract #	Service Provider	Contract Amount
FDVA-ITB-10-0006	Moore Stephens Lovelace, P.A.	\$330,627

- Three amendments were executed under the agreement with Ron Sachs Communications, Inc. to provide marketing services for a total cost of \$135,421. The services requested in the amendment did not establish a minimum level of performance required to be received by the Department in order to approve payment. For example, the provider was required to develop and distribute social media content, but did not establish criteria necessary to evaluate successful completion. Instead, a “monthly summary of activities” was required to be submitted before payment could be made.

Contract #	Service Provider	Contract Amount
FDVA-ITN-12-003N	Ron Sachs Communications, Inc.	\$225,421

- The agreement with IT Computing Services, Inc. to program, install and maintain a web based time clock system did not establish the minimum level of service for maintenance requests. The agreement does not include a provision specifying when maintenance requests are to be addressed when notified by the Department.

Contract #	Service Provider	Contract Amount
FDVA-ITN-12-001N	IT Computing Services, Inc.	\$181,690

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. Our review disclosed that the Department had financial consequences issues for seven (7) agreements. Specifically, we noted the following:

- The agreements with IT Computing Services, Moore Stephens Lovelace, P.A., and Ron Sachs Communications, Inc. did not contain a provision for financial consequences an agency must apply if the provider fails to perform in accordance with the agreement. Instead, financial consequences were applicable at the agency’s discretion.
- The agreements with E. Rawson Griffin III, MD, Mark L. Callman, MD, Rezeq Bataineh, MD and Sanford H. Kinne III, D.O., P.A. did not contain provisions for financial consequences.

Contract #	Service Provider	Contract Amount
FDVA-ITN-12-001N	IT Computing Services, Inc.	\$181,690
FDVA-ITB-10-0006	Moore Stephens Lovelace, P.A.	\$330,627
FDVA-ITN-12-003N	Ron Sachs Communications, Inc.	\$225,421
A77FB6	E. Rawson Griffin III MD	\$38,400
A5B900	Mark L. Callman, MD	\$40,500
A76C5D	Rezeq Bataineh, MD	\$43,200
A78839	Sandford H. Kinne III, DO, PA	\$51,000

Contract Agreement – Other

Pursuant to Section 216.3475 Florida Statutes and CFO Memorandum No. 2 (2012-2013), 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 for allow ability, reasonableness, and necessity. This includes all service agreements, executed on or after July 1, 2010, which were awarded on a noncompetitive basis.

- Cost analyses were not performed for five non-competitively procured agreements.

Contract #	Service Provider	Contract Amount
A5AD89	Arbor Temporary Services, Inc.	\$117,962
A77FB6	E. Rawson Griffin III MD	\$38,400
A5B900	Mark L. Callman, MD	\$40,500
A76C5D	Rezeq Bataineh, MD	\$43,200
A78839	Sandford H. Kinne III, DO, PA	\$51,000

- The Department initially entered into a competitively procured agreement with Ron Sachs Communications, Inc for specific marketing services. However, additional services were subsequently acquired through negotiation with the contractor resulting in the execution of three (3) amendments totaling \$135,421 without performing a cost analysis.

Contract #	Service Provider	Contract Amount
FDVA-ITN-12-003N	Ron Sachs Communications, Inc.	\$225,421

Contract Management:

Contract 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 management issues with seven (7) agreements. Specifically, the following was noted:

- The Department's contract management activity was not sufficient for five agreements. The Department did not always verify that the deliverables required by the agreement were received and were in compliance with criteria contained in the agreement prior to payment.
 - The contract manager certified monthly medical director services were true and correct before the services were fully rendered under the agreements with Mark L. Callman, MD., Regez Bataineh, M.D., and Sanford H. Kinne, III, DO, PA. A sample of thirteen invoices certified by contract managers was reviewed. Eleven of the thirteen invoices were certified as true and correct anywhere between two and eight days prior to the end of the month of service.
 - The Department approved payment of \$3,200 for a full month of service as a medical director for E. Rawson Griffin, III, MD. A review of the invoice submitted showed that services were only provided for ten days of the month. The Department overpaid the provider by \$2,133.
 - The Department was unable to provide documentation supporting the contract manager's performance of a reconciliation to ensure the physical, occupational and speech therapy services invoiced under the agreement with Heritage Healthcare, Inc. were provided prior to payment.

Contract #	Service Provider	Contract Amount
A5B900	Mark L. Callman, MD	\$40,500
A76C5D	Rezeq Bataineh, MD	\$43,200
A78839	Sandford H. Kinne III, DO, PA	\$51,000
A77FB6	E. Rawson Griffin III MD	\$38,400
A8A43C	Heritage Healthcare, Inc.	\$3,098,110

- The Department did not provide a written certification by the contract manager for 89% of sampled invoices for seven (7) providers. Chief Financial Officer Memorandum No. 01 (2012-2013) requires the contract manager to provide written certification that the information provided is true and correct and the goods and services have been satisfactorily received. Of the eighty-three (83) invoices sampled, seventy-four (89%) did not include the contract manager's written certification.

Contract #	Service Provider	Contract Amount
A8A43C	Heritage Healthcare, Inc.	\$3,098,110
FDVA-ITN-12-001N	IT Computing Services, Inc.	\$181,690
A5B900	Mark L. Callman, MD	\$40,500
FDVA-ITB-10-0006	Moore Stephens Lovelace, P.A.	\$330,627
A76C5D	Rezeq Bataineh, MD	\$43,200
FDVA-ITN-12-003N	Ron Sachs Communications, Inc.	\$225,421
A78839	Sandford H. Kinne III, DO, PA	\$51,000

➤ The Department could not provide documentation required by the agreement for four (4) agreements.

- The agreement with IT Computing Services, Inc. required the contractor to provide a System Pre-test certification letter and a System Demonstration certification letter to confirm the time clock system was fully operational; however, upon request, the Department could not provide the required documentation.
- The Department could not substantiate that the management files for two (2) medical director agreements, Rezeq Bataineh, MD and Sandford H. Kinne III, DO, PA, contained proof of insurance coverage as required prior to beginning services. In response to the request for the contract managers' documentation, the Department provided proof of insurance which was faxed from the medical directors' professional offices and then forwarded to the Department of Financial Services. Both of these were faxed to the Department after services began.
- The Department entered into an agreement with E. Rawson Griffin III MD to provide medical director services. The agreement contained a provision requiring the contractor to provide satisfactory evidence of Commercial General Liability Insurance prior to beginning work. Upon request, the Department could not provide documentation that Commercial General Liability Insurance was confirmed prior to allowing the contractor to begin work. Instead, the Department provided a quote for Commercial General Liability insurance with a policy period date of 2/28/2014 to 2/28/2015, well after the agreement expired.

Contract #	Service Provider	Contract Amount
FDVA-ITN-12-001N	IT Computing Services, Inc.	\$181,690
A76C5D	Rezeq Bataineh, MD	\$43,200
A78839	Sandford H. Kinne III, DO, PA	\$51,000
A77FB6	E. Rawson Griffin III MD	\$38,400

Contract Management – Other

Section 287.058 (2), F. S., requires parties to sign a written agreement or contract prior to the rendering of the services for contractual service agreements valued in excess of \$35,000. The Department paid for services provided outside the term of the contract for one (1) agreement.

- The Department entered into the agreement with Moore Stephens Lovelace, P.A. to prepare the annual Medicare and Medicaid cost reports. Although it was the intention of the Department to establish a contract for up to a three (3) year initial term, the agreement established a “basic contract term of one (1) year with an option of renewal for two (2) additional” years. As a result, five (5) amendments and four (4) purchase orders referencing the original agreement were executed after the original agreement expired, allowing the contractor to provide services without an executed written agreement in place.

Contract #	Service Provider	Contract Amount
FDVA-ITB-10-0006	Moore Stephens Lovelace, P.A.	\$330,627

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,



Christina Smith