

**DEPARTMENT OF CHILDREN AND
FAMILY SERVICES**

**PROCUREMENT AND EXPENDITURE PROCESSES
AND PRIOR AUDIT FOLLOW-UP**

Operational Audit



SECRETARY OF THE DEPARTMENT OF CHILDREN AND FAMILY SERVICES

Section 20.19, Florida Statutes, created the Department of Children and Family Services. The head of the Department is the Secretary who is appointed by the Governor subject to confirmation by the Senate. During the period of our audit, the following individuals served as Secretary:

George Sheldon From September 2008

Robert Butterworth January 2007 to August 2008

The audit team leader was Aaron Franz, CPA, and the audit was supervised by Mary Stewart, CPA. Please address inquiries regarding this report to Jane Flowers, CPA, Audit Manager, by e-mail at janeflowers@aud.state.fl.us or by telephone at (850) 487-9136.

This report and other reports prepared by the Auditor General can be obtained on our Web site at www.myflorida.com/audgen; by telephone at (850) 487-9024; or by mail at G74 Claude Pepper Building, 111 West Madison Street, Tallahassee, Florida 32399-1450.

DEPARTMENT OF CHILDREN AND FAMILY SERVICES

Procurement and Expenditure Processes and Prior Audit Follow-up

SUMMARY

This operational audit of the Department of Children and Family Services (Department) focused on the Department’s procurement and expenditure processes. The audit also included a follow-up on prior audit findings.

CHILD CARE LICENSING

Finding No. 1: The Department’s licensing process did not always ensure child care providers met the training requirements for licensure.

COMMUNITY-BASED CARE LEAD AGENCY MONITORING

Finding No. 2: The Department’s standard tool for monitoring community-based care lead agencies again did not include a provision to determine whether the lead agency obtained written approval from the Department for subcontracts with certain types of providers.

BACKGROUND

The mission of the Department of Children and Family Services (Department) is to protect the vulnerable, promote strong and economically self-sufficient families, and advance personal and family recovery and resiliency. The Department oversees the operation of many of the State’s social service programs including those related to refugees, child care, substance abuse, and mental health. The Department’s organizational structure included the Central Office, 6 regions, and 20 circuits.

FINDINGS AND RECOMMENDATIONS

Procurement and Expenditure Processes

Our audit included tests designed to evaluate Department procurement and expenditure processes for contractual services, travel, supplies and commodities, tangible personal property acquisitions, general and administrative operating activities, and capital leases. For the period July 2008 through February 2010, the related procurement and expenditure transactions totaled approximately \$448 million and \$1.2 billion, respectively. The results of our tests indicated that the Department had established policies and procedures that provided reasonable assurance of compliance and that, with respect to the items tested, the Department had generally complied with significant provisions of applicable laws, administrative rules, and other guidelines.¹

Child Care Licensing

State law provides for the licensing of child care facilities, large family child care homes, and certain family day care homes.² The Child Care Services Program Office within the Department administers child care licensing and training throughout the State. The purpose of the Child Care Program is to ensure that children are well cared for in a safe, healthy, positive, and educational environment by trained, qualified child care staff. In report No. 2009-100, we noted

¹ The number and amounts of the items tested are described in the **OBJECTIVES, SCOPE, AND METHODOLOGY** section of this report.

² Chapter 402, Florida Statutes.

several issues related to the Department's child care licensing and fee collection activities. Our follow-up procedures disclosed that, while the Department had generally implemented sufficient corrective actions to resolve many of the findings included in report No. 2009-100, child care licensing activities still needed improvement.

Finding No. 1: Child Care Provider Licensing Requirements

State law and Department rules define the licensure requirements applicable to those desiring to provide child care services.³ Child care operators and employees are required to receive initial and continued training.

Our test of Department records for 15 providers licensed by the Department disclosed instances in which facility employees for two different providers did not complete the required 30-hour Family Child Care Home training even though concurrent inspection reports indicated that the two providers were compliant with regard to licensure training requirements. Department management stated that the training discrepancies resulted from inspection oversights. For example, in one instance, Department inspectors considered other education and training received by the employee as satisfying the 30-hour training requirement.

Child care provider employee training is an essential element in promoting a safe and healthy environment for children under the care of these providers. Inspection reports that do not adequately demonstrate that license requirements are being met and sufficiently monitored reduces the assurance that the Department is meeting its goal to promote the safety and well-being of the children under the care of Department-licensed providers.

Recommendation: The Department should continue efforts to ensure that child care providers meet the licensure training requirements and that inspections appropriately measure compliance with governing laws and rules.

Community-Based Care Lead Agency Monitoring

The Department is required by State law to outsource the provision of foster care and related services Statewide by contracting with community-based care (CBC) lead agencies.⁴ As of August 2010, the Department had entered into contracts totaling \$3 billion with 21 lead agencies. The Department's contracts with lead agencies permitted the agencies to enter into subcontracts with other entities for the provision of services. According to the terms of the contracts with the Department, lead agencies were responsible for the service delivery, monitoring, and quality assurance for all their subcontractors.

Finding No. 2: CBC Lead Agency Monitoring Tool

The Department established the Contract Oversight Unit (COU) to conduct monitoring to evaluate contract provider compliance with State and Federal laws, rules, and contract provisions. The COU is administratively placed within the Office of Contracted Client Services which provides overall administrative coordination and support services for contract management to regional and circuit office staff.⁵

Department procedures required COU staff to annually monitor each lead agency on-site. In report No. 2009-039, finding No. 4, we noted that the Department CBC Subcontract Monitoring Tool used to evaluate lead agency

³ Sections 402.305, 402.313, and 402.3131, Florida Statutes, and Department Rules, Chapters 65C-20 and 65C-22, Florida Administrative Code.

⁴ Section 409.1671, Florida Statutes.

⁵ Section 402.7305(4), Florida Statutes.

compliance with respect to subcontractors did not address all the subcontracting requirements included in the lead agency contracts. For example, the tool did not include a provision requiring COU staff to determine whether the lead agency obtained written approval from the Department for subcontracts with certain types of providers.⁶ We recommended that COU revise the CBC Subcontract Monitoring Tool to address all the subcontracting requirements.

While our current audit disclosed that the Department had revised the CBC Subcontract Monitoring Tool for use during the 2009-10 fiscal year, the revised tool still did not include a provision requiring that COU staff determine whether the lead agency had engaged subcontractors requiring approval and, if so, whether the lead agency had obtained written approval from the Department for those subcontractors. In response to our audit inquiry, the Department subsequently revised the tool in August 2010 to address this issue.

The number of subcontractors utilized by lead agencies and the types of services provided by subcontractors (case management, foster care, adoption, and various other activities) varied by lead agency. As such, the extent of subcontractor utilization by CBC lead agencies increases the need for effective COU monitoring of lead agency compliance with subcontracting requirements.

Recommendation: We recommend that COU staff ensure that the revised CBC Subcontract Monitoring Tool is used when evaluating CBC lead agency compliance regarding subcontractors.

PRIOR AUDIT FOLLOW-UP

Except as discussed in the preceding paragraphs, the Department had taken corrective actions for the applicable findings included in report Nos. 2008-119, 2009-039, and 2009-100.

OBJECTIVES, SCOPE, AND METHODOLOGY

The Auditor General conducts operational audits of governmental entities to provide the Legislature, Florida's citizens, public entity management, and other stakeholders unbiased, timely, and relevant information for use in promoting government accountability and stewardship and improving government operations.

We conducted this operational audit from December 2009 through August 2010, in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

This operational audit focused on the Department's procurement and expenditure processes and a follow-up on prior audit findings. The overall objectives of the audit were:

- To evaluate the effectiveness of established internal controls in achieving management's control objectives in the categories of compliance with controlling laws, administrative rules, and other guidelines; the economic, efficient, and effective operation of State government; the relevance and reliability of records and reports; and the safeguarding of assets.
- To evaluate management's performance in achieving compliance with controlling laws, administrative rules, and other guidelines; the economic, efficient, and effective operation of State government; the relevance and reliability of records and reports; and the safeguarding of assets.

⁶ For example, barred or suspended providers or providers under investigation for criminal conduct.

- To identify statutory and fiscal changes that may be recommended to the Legislature pursuant to Section 11.45(7)(h), Florida Statutes.

Our audit also included steps to determine whether management had corrected, or was in the process of correcting, all applicable deficiencies disclosed in report Nos. 2008-119 (finding Nos. 1, 2, 4, 5, and 8), 2009-039 and 2009-100.

In conducting our audit, we:

- Obtained an understanding of Department internal controls related to procurement and expenditures and performed procedures to evaluate whether the controls were appropriately designed, implemented, and operating effectively.
- Tested 200 expenditure transactions (82 for contractual services, 50 for travel, 32 for general and administrative operating costs, 26 for supplies and commodities, and 10 for acquisitions of tangible personal property) totaling \$4.85 million from a population of \$1.2 billion in expenditure transactions occurring during the period July 2008 through February 2010 to determine whether goods and services were paid in accordance with governing laws, rules, and Department policy. We also verified that the expenditure transactions were accurate, authorized, timely and correctly coded in FLAIR, and supported by adequate documentation.
- Tested 44 procurements (contract awards and purchase authorizations) (17 for contractual services, 15 for supplies and commodities, 10 for tangible personal property acquisitions, and 2 for capital leases) made by the Department during the period July 2008 through February 2010 and totaling approximately \$237 million from a population of procurements totaling \$448 million to determine whether goods and services were procured in accordance with governing laws, rules, and Department policy, were procured at a reasonable cost, and served an authorized purpose of the State.
- Examined Department on-site and fiscal monitoring documentation for 5 of the 27 monitoring visits made to 19 CBCs during the period July 2008 through February 2010 to determine whether the Department enhanced its monitoring procedures with respect to State property transfers to the CBCs, CBC subcontractor monitoring, and CBC information technology functions.
- Examined the risk assessment score assigned by COU managers to 20 contracts to determine whether the score was assigned in accordance with the Department's process for assessing risk. This process included an evaluation and assignment of numerical values for numerous criteria that were weighted to calculate a final risk assessment score.
- Examined monitoring plans, monitoring tools, and monitoring visit documentation for five service provider contracts to determine whether the Department monitored the contract providers in accordance with State law and Department policy.
- Requested leave balance audit documentation for 10 employees who had separated from Department employment during the period November 2008 through February 2010 to determine whether the Department had properly conducted leave balance audits when determining the amounts to be paid for leave balances.
- Examined purchasing card records for 15 employees who separated from Department employment during the period July 2008 through November 2009 to determine whether the Department had timely deactivated the cards.
- Examined 20 cellular telephone invoices paid during the period July 2008 through November 2009 to determine whether the invoices were reviewed by employees and supervisors for appropriateness of cellular telephone use.
- Performed analytical procedures of FLAIR expenditure data to identify employee vendors.
- Examined 15 child care provider licensing files to determine whether the Department adequately documented monitoring efforts to ensure that the providers had met the licensure requirements.

- Examined the records relating to five child care and five substance abuse licensing fee collections to determine whether the collections were timely deposited and properly recorded.
- Performed various other auditing procedures, including analytical procedures, as necessary, to accomplish the objectives of the audit.
- Prepared and submitted for management response the findings and recommendations that are included in this report and which describe those matters requiring corrective actions.

AUTHORITY

Section 11.45, Florida Statutes, requires that the Auditor General conduct an operational audit of each State agency on a biennial basis. Pursuant to the provisions of Section 11.45, Florida Statutes, I have directed that this report be prepared to present the results of our operational audit.



David W. Martin, CPA
Auditor General

MANAGEMENT’S RESPONSE

In a response letter dated November 16, 2010, the Department provided responses to our preliminary and tentative audit findings. The management’s response is included as EXHIBIT A.

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**EXHIBIT A
MANAGEMENT'S RESPONSE**



**State of Florida
Department of Children and Families**

Charlie Crist
Governor

George H. Sheldon
Secretary

November 16, 2010

Mr. David W. Martin, Auditor General
Office of the Auditor General
111 West Madison Street
Tallahassee, FL 32399-1450

Dear Mr. Martin:

Thank you for your October 13 letter regarding the Department's procurement and expenditure processes for the period of July 2008 through February 2010, along with the accompanying preliminary and tentative findings and recommendations, and follow-up on prior audit findings. Our responses to the recommendations are enclosed.

If you have any questions regarding responses related to child care, please contact Deborah Russo, Director of Child Care Services, at (850) 488-4900, or questions regarding responses to procurement and expenditures, please contact Walter Sachs, Staff Director, Contracts, at (850) 921-8983.

If I may be of further assistance, please let me know.

Sincerely,

A handwritten signature in black ink, appearing to read 'George H. Sheldon', is written over a horizontal line. Below the signature, the name 'George H. Sheldon' and the title 'Secretary' are printed in a standard font.

George H. Sheldon
Secretary

1317 Winewood Boulevard, Tallahassee, Florida 32399-0700

Mission: Protect the Vulnerable, Promote Strong and Economically Self-Sufficient Families, and Advance Personal and Family Recovery and Resiliency

EXHIBIT A
MANAGEMENT'S RESPONSE (CONTINUED)

Department of Children and Families
Child Care Program Office
(850) 488-4900

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November 16, 2010

**RESPONSE TO OFFICE OF AUDITOR GENERAL PRELIMINARY AND TENTATIVE FINDINGS
ON PROCUREMENT AND EXPENDITURE PROCESSES, FOR PERIOD JULY 2008 THROUGH
FEBRUARY 2010, AND FOLLOW –UP ON PRIOR AUDIT FINDINGS.**

Finding No 1:

The Department's licensing process did not always ensure child care providers met the training requirements for licensure and inspections did not appropriately measure compliance with governing laws and rules.

Department Response:

During the upcoming Statewide Quality Assurance Monitoring of all regions, which will begin January 24th through May 20, 2011, the Child Care Program office will monitor to ensure licensure inspections appropriately measure compliance with governing laws and rules, with an emphasis that child care provider staff meet licensure training requirements. Additionally, the Child Care Program Office will provide direction on the audit findings to Regional Safety Program Managers and Licensing Supervisors during the upcoming December 7 Regional Conference Call, and request that all staff be made aware of the audit findings. The Regional Safety Program Manager will notify their Program Analyst attesting that all staff have received the information. This action must be completed by January 15, 2011.

Finding No 2:

The Department's standard tool for monitoring community-based care lead agencies again did not include a provision to determine whether the lead agency obtained written approval from the Department for subcontracts with certain types of providers.

Recommendation: We recommend that COU staff ensure that the revised CBC Subcontractor Monitoring Tool is used when evaluating CBC lead agency compliance regarding subcontractors.

Department Response:

We concur with the finding and will implement the recommendation.

