

**CONTRACT AND GRANT
MANAGEMENT PROCESSES
AT SELECTED STATE AGENCIES**

Operational Audit



STATE AGENCY HEADS

The Florida Statutes establish the various State agencies and provide the title and selection process for the head of each State agency. The table below shows the six State agencies included in the scope of this operational audit and the respective agency heads who served during the period of our audit.

Department of	Established by Florida Statutes	State Agency Head	Dates of Service
Children and Families	Section 20.19	Esther Jacobo, Interim Secretary David E. Wilkins, Secretary George Sheldon, Secretary	From July 19, 2013 From January 24, 2011, through July 18, 2013 Through March 2, 2011
Financial Services	Section 20.121	Jeff Atwater, Chief Financial Officer Alex Sink, Chief Financial Officer	From January 4, 2011 Through January 3, 2011
Health	Section 20.43	Dr. John H. Armstrong, State Surgeon General and State Health Officer Dr. Steven Harris, Interim State Surgeon General and State Health Officer Dr. Harry Frank Farmer, Jr., State Surgeon General and State Health Officer Dr. Shairi Turner and Kim Berfield, Interim State Surgeon General and State Health Officer Dr. Ana Viamonte Ros, State Surgeon General and State Health Officer	From May 23, 2012 From March 13, 2012, through May 22, 2012 From April 4, 2011, through March 9, 2012 From January 4, 2011, through April 3, 2011 Through January 3, 2011
Juvenile Justice	Section 20.316	Wansley Walters, Secretary Frank Peterman, Jr., Secretary	From February 1, 2011 Through January 3, 2011
Management Services	Section 20.22	Craig Nichols, Secretary Scott Stewart, Interim Secretary Jack Miles, Secretary Linda South, Secretary	From July 9, 2012 From April 1, 2012, through July 8, 2012 From January 26, 2011, through March 31, 2012 Through January 4, 2011
Transportation	Section 20.23	Ananth Prasad, Secretary Francis Gibbs, Interim Secretary Stephanie Kopelousos, Secretary	From April 18, 2011 From February 14, 2011, through April 15, 2011 Through February 12, 2011

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SELECTED STATE AGENCIES

Contract and Grant Management Processes

SUMMARY

This operational audit focused on selected contract and grant management processes at the Department of Children and Families, Department of Financial Services, Department of Health, Department of Juvenile Justice, Department of Management Services, and Department of Transportation. Specifically, our audit tests and procedures evaluated State agency contract procurement, review, approval, execution, monitoring, and payment processes and selected State agency grant monitoring and payment processes. The contracts included in the scope of our audit related to procurements exempt from statutory competitive solicitation requirements. Our audit disclosed the following:

CONTRACT MANAGEMENT PROCESSES

Finding No. 1: State agencies did not always document that employees involved in the contractor evaluation and selection process attested in writing, or timely attested, that they were independent of, and had no conflict of interest in, the entities evaluated and selected.

Finding No. 2: Some State agencies did not always document that cost analyses were completed prior to executing contracts.

Finding No. 3: State agencies did not always document that contracts were properly reviewed, approved, and executed in accordance with State law.

Finding No. 4: Some State agencies did not always ensure that contracts included statutorily required provisions.

Finding No. 5: State agencies did not always document that contract managers received, or timely received, required training for accountability in contracts management.

Finding No. 6: State agencies did not always appropriately document that contract managers were independent of, and had no conflict of interest in, the entities whose contracts they were assigned to manage.

Finding No. 7: State agencies did not always document that sufficient contract monitoring had been performed in accordance with Department of Financial Services (DFS) and applicable State agency guidelines.

Finding No. 8: State agencies could not always demonstrate that contract payments were properly approved, supported by adequate documentation, or made in accordance with applicable contract terms and Chief Financial Officer memoranda.

GRANT MANAGEMENT PROCESSES

Finding No. 9: State agencies did not always document that sufficient grant monitoring had been performed in accordance with DFS and applicable State agency procedures.

Finding No. 10: The DOH could not always demonstrate that grant payments were properly approved, supported by adequate documentation, or made in accordance with applicable grant terms.

BACKGROUND

State law¹ establishes that fair and open competition is a basic tenet of public procurement and that such competition reduces the appearance and opportunity for favoritism and inspires public confidence that contracts are awarded equitably and economically. State law further establishes that documentation of the acts taken and effective

¹ Section 287.001, Florida Statutes.

monitoring mechanisms are an important means of curbing any improprieties and establishing public confidence in the process by which commodities and contractual services are procured. State law, Department of Financial Services and Department of Management Services rules, Chief Financial Officer memoranda, and other guidelines establish State agency responsibilities for the procurement and management of commodities and contractual services.

When procuring commodities or contractual services in excess of \$35,000, State agencies are to use the competitive solicitation processes authorized by State law.² However, State law³ also provides certain exemptions to competitive procurement requirements which, when used, increase the risk that contracts may not be awarded equitably and economically. Some of this risk may be mitigated by State agency compliance with other statutory provisions governing noncompetitive procurements. For example, for any procurements in excess of \$35,000 and accomplished without competition, State law⁴ requires that individuals taking part in the contractor evaluation and selection process attest in writing that they are independent of, and have no conflict of interest in, the entities evaluated and selected. Also, State law⁵ provides that persons or entities awarded funding to provide services on a noncompetitive basis may not receive a rate of payment in excess of the competitive prevailing rate for those services unless expressly authorized in law.

In addition to procuring commodities and contractual services, many State agencies administer grant agreements that provide State or Federal financial assistance to subrecipients. State law and Department of Financial Services guidelines establish State agency responsibilities for monitoring grant agreements to ensure that grant moneys are used in a manner consistent with authorized purposes and that grant payments are appropriate.

FINDINGS AND RECOMMENDATIONS

Our audit focused on contract and grant management processes at the Department of Children and Families (DCF), Department of Financial Services (DFS), Department of Juvenile Justice (DJJ), Department of Management Services (DMS), Department of Health (DOH), and Department of Transportation (DOT). Specifically, our audit tests and procedures evaluated State agency contract procurement, review, approval, execution, monitoring, and payment processes to determine whether those processes promoted equity and economy in contract procurement and management, as well as, compliance with State law. The contracts included in the scope of our audit related to procurements exempt from statutory competitive solicitation requirements.

Our audit also included an evaluation of the sufficiency of selected grant monitoring activities and the appropriateness of grant payment processes at the State agencies included in the scope of our audit. Our audit tests and procedures disclosed that State agency documentation and controls over the contract and grant management processes could be enhanced to better demonstrate and provide greater assurance that:

- Contracts are impartially awarded;
- Contracts are not awarded in amounts that exceed competitive prevailing rates;
- Contract documents are legally sufficient and contain all the necessary terms and provisions to protect the State's interests;
- Contract managers receive appropriate training and are independent of the entities whose contracts they are assigned to manage;

² Section 287.057(1), Florida Statutes.

³ Section 287.057(3), Florida Statutes.

⁴ Section 287.057(19), Florida Statutes.

⁵ Section 216.3475, Florida Statutes.

- Contractor performance is sufficiently monitored;
- Contract payments are properly approved and supported and made in accordance with contract terms and fee schedules;
- Grant monitoring is appropriately and impartially conducted and the monitoring results are timely communicated to grantees; and,
- Grant payments are properly approved and supported and made in accordance with the grant terms.

Contract Management Processes

As part of our audit, we selected 73 noncompetitively procured contracts active during the period July 2010 through May 2013, examined the associated State agency records, and performed other audit procedures, as appropriate, for each selected contract. Table 1 provides a summary, by applicable agency, of the contracts we examined.

Table 1
Summary of Noncompetitively Procured
Contracts Tested

Agency	Contracts Tested ^a	
	Number	Total Amount
DCF	7	\$ 5,086,185
DFS	13	157,016,873
DJJ	16	17,983,401
DMS ^a	6	2,183,150
DOH	18	64,763,712
DOT	13	9,966,727
Totals	<u>73</u>	<u>\$257,000,048</u>

^a One DMS contract tested, for \$630,000, involved the procurement of a single source commodity. All other contracts tested were for contractual services.

Finding No. 1: Conflict of Interest

State law⁶ requires that for any procurements in excess of \$35,000 and accomplished without competition, individuals taking part in the contractor evaluation and selection process attest in writing that they are independent of, and have no conflict of interest⁷ in, the entities evaluated and selected.

As part of our audit, we reviewed State agency policies and procedures as well as records related to the noncompetitive procurement of 63 of the 73 contracts summarized in Table 1 to assess State agency compliance with the statutory conflict of interest requirements. The 63 contracts totaled \$176,810,552 and included: 5 totaling \$3,670,000 at the DCF; 7 totaling \$78,806,980 at the DFS; 16 totaling \$17,983,401 at the DJJ; 6 totaling \$2,183,150 at the DMS; 18 totaling \$64,763,712 at the DOH; and 11 totaling \$9,403,309 at the DOT.

Our audit tests disclosed that for 22 of the 63 contracts, the State agencies did not always document that the individuals taking part in the contractor evaluation and selection process attested in writing, or timely attested in writing, that they were independent of, and had no conflict of interest in, the entities being evaluated. Specifically:

⁶ Section 287.057(19), Florida Statutes.

⁷ Section 112.312(8), Florida Statutes, defines a conflict of interest to mean a situation in which regard for a private interest tends to lead to disregard of a public duty or interest.

- For 3 DCF contracts, totaling \$870,000, conflict of interest attestations were not completed prior to contract execution. Specifically, an attestation from an individual involved in the procurement of 1 of these 3 contracts was not available and three other attestations were completed from 20 to 127 days after the contracts were executed.
- For 6 DFS contracts, totaling \$70,464,187, we found that:
 - The DFS had not required the individuals taking part in the procurement of 4 contracts, totaling \$69,583,532, to complete conflict of interest attestations. In response to our audit inquiry, DFS management indicated that, since the contracts were exempt from the competitive procurement requirements of Chapter 287, Florida Statutes, it had been DFS' interpretation that conflict of interest attestations were not applicable. However, DFS management noted that after further review with their legal team, the DFS process was changed to obtain attestations for exempt procurements.
 - For a \$634,450 legal services contract, conflict of interest attestations were completed by the three individuals involved in the procurement process from 531 to 536 days after the contract was executed and subsequent to our audit inquiry.
 - For a \$246,205 printer maintenance contract, one conflict of interest attestation was signed by an employee on behalf of another employee who was actually involved in the contract procurement process.
- For 5 DMS contracts, totaling \$1,553,150, we found that:
 - The DMS was unable to provide documentation demonstrating that conflict of interest attestations had been completed by the individuals taking part in the procurement of 4 legal service contracts totaling \$930,000. In response to our audit inquiry, DMS management indicated that the General Counsel's office had not historically obtained conflict of interest attestations, but would obtain such attestations going forward.
 - The DMS was unable to identify the individuals who participated in the procurement process for a \$623,150 contract with a State university. Consequently, the DMS could not demonstrate that the individuals involved in the contract procurement process had completed the required conflict of interest attestations.
- For 3 DOH contracts, totaling \$561,734, we found that:
 - The DOH was unable to provide a conflict of interest attestation for one individual taking part in the procurement of a \$375,000 legal services contract.
 - For 2 school district health services contracts totaling \$186,734, the DOH was unable to demonstrate that conflict of interest attestations had been completed prior to the contract being executed. Specifically, the DOH was unable to provide conflict of interest attestations for two of the three employees involved in the procurement of both contracts. The third employee completed conflict of interest attestations from 364 to 735 days after the 2 contracts were executed and subsequent to our audit inquiry.
- For 5 DOT contracts, totaling \$1,740,013, the DOT was unable to provide conflict of interest attestations for the individuals taking part in the contract procurement process.

Conflict of interest attestations timely completed by State agency personnel involved in the contractor evaluation and selection process reduce the appearance and opportunity for favoritism and provide greater assurance that contracts are impartially awarded.

Recommendation: We recommend that State agency management take steps to ensure that conflict of interest attestations required by State law are timely completed by all individuals taking part in the contractor evaluation and selection process and that the attestation documents are appropriately maintained.

Finding No. 2: Cost Analyses

State law⁸ specifies that persons or entities awarded funding to provide services on a noncompetitive basis may not receive a rate of payment in excess of the competitive prevailing rate for those services unless expressly authorized in law. Effective July 1, 2010, each State agency is to 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 the individual cost elements from the submitted budget for allowability, reasonableness, and necessity.⁹

As part of our audit, we examined State agency records for 60 of the 73 noncompetitively awarded contracts summarized in Table 1, that were executed after July 1, 2010, to determine whether cost analyses were performed and documented in accordance with State law and whether those cost analyses were timely completed. Table 2 shows, by applicable State agency, the number and total amounts of the contracts included in our examination.

Table 2
Summary of Contract Cost Analysis Testing

Agency	Contracts Tested	
	Number	Total Amount
DCF	6	\$ 4,566,185
DFS	2	8,516,997
DJJ	16	17,983,401
DMS	5	1,553,150
DOH	18	64,763,712
DOT	13	9,966,727
Totals	<u>60</u>	<u>\$107,350,172</u>

Our audit procedures disclosed that for 5 contracts, totaling \$4,590,379, the DJJ and DOH did not document the timely completion of a cost analysis. Specifically:

- For 3 DJJ contracts, totaling \$4,403,645:
 - A cost analysis was not available for a youth therapy services contract for \$2,924,182 or for a training services contract for \$175,000.
 - A cost analysis was provided for a juvenile assessment center services contract for \$1,304,463; however, the analysis was completed 109 days after the contract was executed.
- For 2 DOH contracts, totaling \$186,734, cost analyses were not completed. Subsequent to our audit inquiry, cost analyses were completed; however, the analyses were completed 365 to 736 days after the contracts were executed and 45 to 410 days after the contract periods had ended.

State agency management provided various responses to our audit inquiries and indicated, for example, that staff resource challenges contributed to the untimely completion of cost analyses. Timely prepared cost analyses documenting State agency review of each noncompetitively procured contract's individual cost elements provide assurance, and serve to demonstrate, that the contracts were not awarded in amounts in excess of competitive prevailing rates.

⁸ Section 216.3475, Florida Statutes.

⁹ Chapter 2010-151, Laws of Florida.

Recommendation: We recommend that DJJ and DOH management ensure that, for contracts awarded on a noncompetitive basis, documented cost analyses are completed prior to contract execution and in accordance with State law.

Finding No. 3: Contract Review, Approval, and Execution

State law¹⁰ requires that each State agency establish a review and approval process for all contractual services contracts in excess of \$65,000. The process is to include, but not be limited to, program, financial, and legal review and approval, which is to be obtained before the contract is executed. State law¹¹ also requires that, prior to the rendering of any contractual services in excess of \$35,000, a written agreement be signed by the agency head, or appropriate designee, and the contractor, except in the case of a valid emergency as certified by the agency head.

As part of our audit, we reviewed State agency records for the 73 contracts summarized in Table 1 to determine whether the contracts had been reviewed, approved, and executed in accordance with State law. Our audit procedures disclosed that for 6 contracts, totaling \$1,727,817, State agencies did not document that the contracts were appropriately reviewed, approved, or executed. Specifically:

- For 1 DCF legal services contract for \$150,000, the dates of the contract review and approval by program, financial, and legal staff ranged from 22 to 27 days after the contract was executed.
- One DFS legal services contract for \$634,450 was signed by the DFS General Counsel prior to obtaining appropriate delegation of authority from the Chief Financial Officer (CFO). Additionally, the DFS was unable to provide documentation supporting contract review and approval by program and financial staff.
- For 3 DMS legal services contracts totaling \$850,000, the DMS was unable to provide documentation supporting review and approval of the contracts by program and financial staff.
- For 1 DOH school district health services contract totaling \$93,367, the DOH was unable to provide documentation supporting the contract review and approval by financial staff.

Absent statutorily required program, financial, and legal contract reviews and approvals, State agencies have reduced assurance that contracts are aligned to program goals, sufficient funding is available to fulfill contract terms, and that contracts are legally sufficient. Additionally, documentation of appropriate delegations of authority would better demonstrate that State agency contracts are properly executed.

Recommendation: We recommend that State agency management ensure that contracts are properly reviewed, approved, and executed in accordance with State law and that agency head delegations of authority are appropriately documented.

Finding No. 4: Contract Provisions

Written agreements should embody all the provisions and conditions of the procurement of contractual services. As such, State law¹² specifies that, where applicable, State agency contractual service contracts in excess of \$35,000 incorporate certain provisions including, but not limited to, provisions specifying that:

- Bills for fees or other compensation for services or expenses be submitted in detail sufficient for a proper preaudit and postaudit.

¹⁰ Section 287.057(18), Florida Statutes.

¹¹ Section 287.058(2), Florida Statutes.

¹² Sections 287.058(1), 287.058(1)(a), and 287.058(1)(g), Florida Statutes.

- The contract may be renewed for a period that may not exceed 3 years or the term of the original contract, whichever is longer.
- Costs for the renewal may not be charged.
- Renewals are contingent upon satisfactory performance evaluations by the agency and subject to the availability of funds.

State law¹³ also provides that all purchasing agreements between a State agency and a vendor include a statement of the vendor's rights and the State's responsibilities with regard to the prompt payment of invoices.

As part of our audit, we reviewed State agency records for the 73 contracts summarized in Table 1 to determine whether statutorily required provisions were incorporated in the contracts, as applicable. Our audit procedures disclosed that for 15 contracts, totaling \$15,523,424, the DCF and DJJ did not include all the applicable provisions required by State law. Specifically:

- We found that 2 DCF contracts, totaling \$1,416,185, did not include a provision specifying that contract renewal costs may not be charged. In response to our audit inquiry, DCF management indicated that the Department was in the process of revising the renewal provisions of its standard contract.
- For 13 DJJ contracts we noted that:
 - Twelve contracts, totaling \$13,932,239, did not include a provision specifying that renewal costs may not be charged.
 - Two contracts, totaling \$779,883, also did not include a statement of the vendor's rights and the State's responsibilities with regard to the prompt payment of invoices.
 - One contract for \$175,000 for consulting services, training, and technical assistance to Department staff did not include a provision specifying that bills for fees or other compensation for services or expenses be submitted in detail sufficient for a proper preaudit and postaudit.

In response to our audit inquiries, DJJ management indicated that management was unaware of the provision related to contract renewal costs and that some provisions had been inadvertently omitted from the contracts.

By incorporating the provisions required by State law in all applicable contracts, State agencies can better ensure that the interests of the State and its vendors are protected.

Recommendation: We recommend that DCF and DJJ management ensure that the provisions specified in State law are appropriately included in all applicable contracts.

Finding No. 5: Contract Manager Training

State law¹⁴ specifies that for each contractual services contract, every State agency is to designate an employee to function as the contract manager who is responsible for enforcing performance of the contract terms and conditions. State law¹⁵ also requires, effective July 1, 2010, each contract manager who is responsible for contracts in excess of \$35,000 to attend training conducted by the DFS for accountability in contracts and grants management. Additionally, CFO Memorandum No. 4 (09-10), issued June 29, 2010, identified State agency responsibilities related to contract manager training requirements, and specified that each State agency was to:

¹³ Section 215.422(5), Florida Statutes.

¹⁴ Section 287.057(14), Florida Statutes.

¹⁵ Chapter 2010-151, Laws of Florida.

- Ensure that contract managers met the training requirement within the 2010-11 fiscal year. However, if the contract manager was responsible for a 1-year contract that was executed within the first 6 months of the 2010-11 fiscal year, the manager was to receive training within the first 3 months of the executed contract.
- Ensure contract managers attended training at least every 2 years (based on the date of last attendance).
- Maintain records to adequately support the agency's compliance in meeting the statutory contract manager training requirements.

As part of our audit, we reviewed State agency records for the 72 contractual services contracts summarized in Table 1 to determine whether the State agencies documented compliance with statutory and DFS contract manager training requirements. Our audit procedures disclosed that for 29 contracts, totaling \$47,500,904, the State agencies did not document that the designated contract managers had received the required DFS training for accountability in contracts and grants management, or that the training was timely completed. Specifically:

- For 3 DCF contracts, totaling \$870,000 and assigned to one contract manager, the DCF could not provide documentation demonstrating that the contract manager had attended the required DFS training.
- For 7 DFS contracts, totaling \$36,772,304 and involving 6 contract managers, we found that:
 - For 3 contracts assigned to 3 different contract managers, the DFS could not provide documentation demonstrating that the contract managers had attended training at least once every 2 years.
 - For 4 contracts assigned to 3 different contract managers, the DFS could not provide documentation demonstrating that the contract managers had attended the required DFS training.
- For 7 DJJ contracts, totaling \$7,979,523 and involving 5 contract managers, the DJJ could not provide documentation that the contract managers timely attended the required DFS training. The number of days that elapsed from the contracts' beginning dates to the dates of contract manager training ranged from 132 to 285.
- For 4 DMS contracts, totaling \$930,000 and assigned to one contract manager, the DMS could not provide documentation demonstrating that the contract manager had attended the required DFS training.
- For 7 DOH contracts, totaling \$653,649 and involving 6 contract managers, we found that:
 - The DOH could not provide documentation demonstrating that the contract managers had timely attended the required DFS training for 5 contracts involving 4 contract managers. The number of days that elapsed from the dates the contract managers were required to attend training to the actual training completion dates ranged from 100 to 426.
 - For 2 contracts involving two contract managers, the DOH could not provide documentation demonstrating that the contract managers had attended the DFS training at least once every 2 years. The number of days that elapsed from the dates the contract managers were due to attend the training to the actual training completion dates ranged from 46 to 60.
- For 1 DOT contract for \$295,428, the DOT could not provide documentation evidencing the designation of a contract manager. Consequently, the DOT could not demonstrate whether the appropriate contract manager had attended the required DFS training.

State agency management indicated in response to our audit inquiries that the number of DFS training classes was limited and, therefore, class openings were not always available. DFS management also stated that various efforts, including dedicated training sessions for decentralized State agencies, had been made to maximize the availability of contract manager training. Absent documentation demonstrating that all contract managers attend required DFS training for accountability in contracts management, State agencies have reduced assurance that contracts will be appropriately managed and that the performance of contract terms and conditions will be properly enforced.

Recommendation: We recommend that State agency management ensure that all contract managers attend the required DFS training for accountability in contracts management in accordance with State law and DFS guidelines. We also recommend that DFS management continue to maximize the availability of contracts management training to facilitate State agency compliance with the statutory training requirements.

Finding No. 6: Contract Manager Conflict of Interest

The Legislature has declared that it is essential to the proper conduct and operation of government that public officials be independent and impartial and that public office not be used for private gain other than the remuneration provided by law. The public interest, therefore, requires that the law protect against any conflict of interest.¹⁶ State law¹⁷ specifies that no public officer or employee is to have or hold any employment or contractual relationship with any business entity or any agency which is subject to the regulation of, or is doing business with, the agency of which he or she is an officer or employee.

As part of our audit, we reviewed State agency records for 63 of the 73 contracts summarized in Table 1 to determine whether the State agencies adequately documented that the contract managers were independent of, and had no conflict of interest in, the entities whose contracts they were assigned to manage. As illustrated in Table 3, our audit procedures disclosed that for 30 contracts, totaling \$88,625,576, the State agencies did not document, or did not timely document, that the contract managers were independent of, and had no conflict of interest in, the entities whose contracts they were assigned to manage.

Table 3
Summary of Contract Manager Conflict of Interest Testing

Agency	Contracts Tested		Summary of Test Results					
			Conflict of Interest Attestation Not Documented			Conflict of Interest Attestation Not Timely Obtained ^a		
	Number	Total Amount	Number of Contracts	Number of Contract Managers	Total Amount	Number of Contracts	Number of Contract Managers	Total Amount
DCF	5	\$ 3,670,000	3	1	\$ 870,000	-	-	-
DFS	7	78,806,980	7	4	78,806,980	-	-	-
DJJ	16	17,983,401	5	4	4,398,783	-	-	-
DMS	6	2,183,150	5	2	1,553,150	-	-	-
DOH	18	64,763,712	2	2	519,470	2	1	\$186,734
DOT	11	9,403,309	6	6	2,290,459	-	-	-
Totals	63	\$176,810,552	28	19	\$88,438,842	2	1	\$186,734

^a The conflict of interest attestations by the one contract manager were provided subsequent to our audit inquiry and were dated 44 and 409 days, respectively, after the period each contract had ended.

Sources: State agency records and auditor analysis.

Documentation demonstrating that contract managers are independent of, and have no conflict of interest in, the entities whose contracts they are assigned to manage would provide greater assurance that State agency contracts are being managed in an independent and impartial manner.

¹⁶ Section 112.311(1), Florida Statutes.

¹⁷ Section 112.313(7)(a), Florida Statutes.

Recommendation: We recommend that State agency management ensure that documentation is maintained to demonstrate that contract managers are independent of, and have no conflict of interest in, the entities whose contracts they are assigned to manage.

Finding No. 7: Contract Monitoring

State law¹⁸ provides that State agencies are responsible for enforcing the terms and conditions of all contracts and ensuring that contract deliverables are appropriately satisfied. Pursuant to State law, the CFO is to establish and disseminate uniform procedures to State agencies to ensure contractual services have been rendered in accordance with contract terms before the State agency processes invoices for payment. These procedures are to include, but need not be limited to, procedures for monitoring and documenting contractor performance, reviewing and documenting all deliverables for which payment is requested by vendors, and providing written certification by contract managers of the agency's receipt of goods and services. In the *State of Florida Contract and Grant User Guide* and various CFO memoranda, the DFS has provided guidance to State agencies regarding contract monitoring. This guidance provides that effective monitoring can assist in identifying and reducing fiscal and program risks as early as possible, thus protecting public funds. The DFS *State of Florida Contract and Grant User Guide* provides State agencies with grant monitoring guidance and states that the results of monitoring should be communicated in writing to the provider (or grantee) in a timely manner.

As part of our audit, we reviewed DFS guidance, State agency policies and procedures, and records of the most-recent monitoring efforts for the 73 contracts summarized in Table 1 to determine whether the State agencies demonstrated effective contract monitoring. Monitoring activities should be supported by documentation that identifies the process used, the specific items selected for review, the criteria and standards applied, and the conclusions made. We found that the State agencies did not always document that sufficient contract monitoring had been performed, or that the contract monitoring had been performed in accordance with DFS guidance and State agency policies and procedures. Specifically:

- For 5 DCF contracts, totaling \$3,466,575, the DCF performed desk reviews utilizing a standardized review tool. Each completed review tool included a summary of the contract manager's concerns and an overall statement regarding compliance. However, for 4 of the 5 contracts, no documentation was available to support the criteria, standards, and process used by the contract manager to determine that the contractor had satisfied the terms and conditions of the contract. Additionally, while the review tool for 1 contract documented a review of deliverables and invoices, no documentation supporting the quantity of invoices or invoice numbers reviewed, or evaluation criteria utilized, was available. We also noted that DCF records did not include documentation supporting the communication of the results of the desk reviews to the contractors¹⁹ for any of the 5 contracts.
- For 5 DFS contracts, totaling \$9,613,016, the DFS did not document that contract monitoring had been performed in accordance with DFS policies and procedures or the applicable contract monitoring plans. DFS policies and procedures required annual vendor performance reviews be completed within 30 days of the anniversary of the contract execution date and that a risk assessment and monitoring plan be completed for all contracts. However, for 2 contracts, totaling \$8,588,997, the DFS did not complete a vendor performance review during the 35-month period of July 1, 2010, through May 31, 2013, and the annual performance reviews for 2 other contracts, totaling \$865,019, were completed from 190 to 377 days late. We also noted that the monitoring plan for 1 of these 2 contracts indicated that annual on-site reviews would be conducted. However, an on-site review was not completed during the 2011-12 fiscal year and no

¹⁸ Section 287.057(14), Florida Statutes.

¹⁹ Section 402.7305(4)(d), Florida Statutes, specifies that the DCF is to provide a written report presenting the results of monitoring within 30 days after the completion of the desk review.

documentation of the justification for deviating from the planned monitoring procedures was available. Additionally, the DFS had not completed either a risk assessment or monitoring plan for the fifth contract for \$159,000 and, while monitoring efforts were documented via a monitoring instrument, a significant amount of the instrument's required information had not been completed.

- The DJJ did not document, for any of the 16 DJJ contracts, totaling \$17,983,401, that sufficient contract monitoring had been performed, or that the contract monitoring had been performed in accordance with DJJ policies and procedures or applicable DFS guidance. We noted that:
 - The DJJ did not perform risk assessments for any of the 16 contracts for the 2012-13 fiscal year. CFO Memorandum No. 6 (2011-12), issued June 27, 2012, stated that if, due to a large number of agreements managed by contract managers, an agency conducts periodic monitoring of agreements to validate a provider's performance, the agency must have a formal contract monitoring process which includes risk assessments.
 - DJJ monitoring guidelines specified that both programmatic and administrative monitoring were to be conducted at least annually. However, for 2 contracts, totaling \$2,982,520, the DJJ was unable to provide documentation that administrative monitoring had been conducted, or that contractually required reports had been received by the contract manager. For another contract for \$2,924,182, the DJJ was unable to provide documentation that programmatic monitoring had been conducted.
 - For 2 other contracts, totaling \$2,623,400, the DJJ was unable to provide evidence that contractually required reports had been received by the contract manager.
- For all 6 DMS contracts, totaling \$2,183,150, the DMS did not document that contract monitoring had been performed in accordance with DMS policies and procedures. We noted that:
 - The DMS did not maintain, for any of the 6 contracts, documentation supporting the contract manager's evaluation of the contractor's overall performance or the process used in evaluating whether the contractor met established standards and criteria. DMS policies and procedures specified that contract manager duties included conducting an overall evaluation of the contractor's performance near the end of the original contract term.
 - The DMS did not maintain documentation supporting administrator review of the contract files for any of the 6 contracts. DMS policies and procedures specified that contracts were to be reviewed annually by the contract administrator, in conjunction with the contract manager, using a DP-600 form which included a checklist of contract file requirements. However, DP-600 forms were not available for the 6 contracts.
- The DOH did not always document that sufficient contract monitoring had been performed, or that the contract monitoring had been performed in accordance with DOH policies and procedures. We noted, for 10 of the 18 DOH contracts, one or more contract monitoring documentation deficiencies. Specifically:
 - For 2 contracts, totaling \$59,965,868, the DOH contract monitor noted certain items as "conditionally acceptable" in the completed monitoring tool. In response to our audit inquiry, the DOH could not provide documentation demonstrating that follow-up procedures had been performed to ensure that the items had been corrected, or that otherwise noted the conditions upon which the items were accepted by the DOH. Additionally, our audit procedures disclosed that no corrective action plans were requested of, or had been submitted by, the contractors.
 - For 2 contracts, totaling \$56,439,086, the DOH could not provide documentation that the contract manager had reviewed and analyzed contractually required reports. Evidence of review generally includes the contract manager signature or initials and the date of review.
 - For 5 contracts, totaling \$473,779, the DOH could not provide documentation such as exit conference notes, e-mails, or notations on the monitoring tools, of the timely communication of monitoring results to the contractors.

- DOH policies and procedures require supervisor statements attesting to the receipt of contract deliverables and adequate contract documentation be completed every 6 months during the duration of a contract. For 3 contracts, totaling \$1,643,367, the DOH could not provide the required supervisor attestation statements.
- For 1 contract for \$50,000, the monitoring tool was incomplete and a monitoring report was not available. Consequently, the DOH could not provide the criteria, standards, and process used by the contract manager to determine that the contractor satisfied the terms and conditions of the contract.
- The DOH county liaison conducted programmatic monitoring in October 2012 for a contract, in the amount of \$93,367, between a county health department and a school district. In August 2013, county health department staff performed monitoring for the contract and, rather than perform follow-up interviews, observations, or inspections, utilized the same information obtained by the DOH county liaison in October 2012 to complete the monitoring tool.

Effective monitoring evaluates whether the desired service outcomes are being achieved and identifies performance problems as early as possible so that corrective action may be timely initiated. Without adequate documentation of monitoring activities performed in accordance with applicable guidelines, State agencies cannot clearly demonstrate that contractual services were provided in accordance with contract terms or that the contract deliverables were received.

Recommendation: We recommend that State agency management ensure that contract monitoring activities are appropriately performed and documented in accordance with DFS guidance and applicable State agency policies and procedures.

Finding No. 8: Contract Payments

To ensure the appropriateness of expenditures, State agencies have the responsibility to establish and implement controls, including controls to prevent improper payments. Such controls should include, but not be limited to, verification that, prior to payment, amounts are accurate and adequately supported, transactions are accurately coded, and payments are properly approved.

As part of our audit, we reviewed State agency records for 124 payments, totaling \$16,709,332, associated with the 73 contracts summarized in Table 1 to determine whether the payments were properly approved, supported by adequate documentation, made in accordance with contract terms, and accurately recorded in the State's accounting records. As shown in Table 4, our audit tests disclosed that for 17 contract payments, totaling \$1,807,543, the State agencies could not always demonstrate that payments were properly approved, supported by adequate documentation, or made in accordance with applicable contract terms and payment schedules.

Table 4
Summary of Contract Payment Testing

Agency	Contract Payments Tested		Test Results					
			Payment Not Properly Approved		Payment Not Adequately Supported or Not Made in Accordance with Contract Terms or Fee Schedules		Payment Not Properly Approved and Not Made in Accordance with Contract Terms	
	Number	Total Amount	Number	Amount	Number	Amount	Number	Amount
DCF	11	\$ 591,481	-	\$ -	-	\$ -	-	\$ -
DFS	28	8,187,711	7	1,323,753	-	-	-	-
DJJ	29	930,249	-	-	-	-	-	-
DMS	11	884,201	1	27,697	3	264,662	1	51,687
DOH	27	5,240,183	-	-	3	131,689	-	-
DOT	18	875,507	2	8,055	-	-	-	-
Totals	124	\$16,709,332	10	\$1,359,505	6	\$396,351	1	\$51,687

Sources: State agency records and auditor analysis.

Specifically, our tests of contract payments disclosed that:

- For 7 DFS contract payments, totaling \$1,323,753, the DFS did not document that the payments were approved by the designated contract manager, and documentation was not available to support the delegations of authority for payment approvals. CFO memoranda²⁰ required that when submitting invoices to the DFS for payment through the State's accounting system,²¹ contract managers complete a contract summary form indicating approval of the identified invoice for payment based on direct knowledge of the satisfactory receipt of the goods or services. The CFO memoranda also required that if the form was not completed by the designated contract manager, the State agency was to provide justification or delegation of authority for another individual to sign the form.
- For 5 DMS contract payments, totaling \$344,046:
 - Documentation was not available to support review and approval by the designated contract manager for 1 payment for \$27,697. In response to our audit inquiry, DMS management indicated that the payment approver was the Division administrative assistant, and approval authority for payments was sometimes delegated either verbally or via e-mail; however, the DMS was unable to provide documentation of a delegation of authority.
 - Documentation was not available to support 1 payment for \$210,623. Pursuant to the scope of work for the applicable contract for \$623,150, a State university was to build a regional E911 geographic information system database. The contract identified specific tasks and deliverables and included the amounts due upon receipt of each deliverable. However, the contract was terminated prior to the provision of any contract deliverables and the DMS did not document for the public record the basis for paying the State university one-third of the contract price.
 - Two payments totaling \$54,039 were not made in accordance with the applicable contract terms or were not adequately supported. The contracts' terms specified that prior written approval of the DMS was required for any computer-assisted legal research service charges in excess of \$500. Our audit disclosed that computer-assisted legal research service charges totaling \$3,716 were billed to, and subsequently paid by, the DMS although the required prior written DMS approval was not obtained. Additionally, expert

²⁰ CFO Memoranda No. 02 (2010-11), No. 07 (2011-12), and No. 01 (2012-13).

²¹ The Florida Accounting Information Resource Subsystem (FLAIR).

witness fees totaling \$50,323 were paid without obtaining supporting documentation, such as a detailed invoice noting the dates, times, and specific description of the services provided. Subsequent to our audit inquiry, supporting documentation for the expert witness fees was obtained by the DMS from the contractor.

- Documentation was not available to support review and approval by the designated contract manager for 1 payment for \$51,687 and the payment was not made in accordance with the applicable contract terms. In response to our audit inquiry, DMS management indicated that the payment approver was the Division administrative assistant, but the DMS was unable to provide documentation of a delegation of authority. Additionally, included in the payment were computer-assisted legal research fees totaling \$1,223 which exceeded the \$500 specified in the contract terms as requiring prior written DMS approval. These charges were billed to, and subsequently paid by, the DMS although the required prior written DMS approval was not obtained.
- For 2 payments totaling \$121,639, the DOH honored the contractors' requests for payment after the specified contract time periods. Specifically, each contract specified that the DOH would not honor any requests for payment submitted after the time period specified in the contract. One contract required that invoices be submitted within 15 days following the end of the month for which payment was requested; however, the DOH made a payment for \$102,966 based on an invoice submitted on November 19, 2010, for services provided in August 2010. The other contract required that invoices be submitted within 30 days following the end of the month for which payment was requested; however, the DOH made a payment for \$18,673 based on an invoice submitted on November 2, 2011, for services provided in August and September 2011. For a third payment for \$10,050, the DOH could not provide supporting documentation, such as records of time worked, for 67 consulting hours claimed on the contractor's invoice.
- For 2 DOT contract payments, totaling \$8,055, the DOT could not provide documentation evidencing the designation of a contract manager. Consequently, the DOT could not demonstrate that the payments were properly approved by the designated contract manager.

Absent documentation that contract payments are properly approved, adequately supported, and made in accordance with contract terms and fee schedules, State agencies cannot demonstrate that contract payments are appropriate.

Recommendation: We recommend that State agency management ensure that contract payments are properly approved, adequately supported, and made in accordance with applicable contract terms and CFO memoranda.

Grant Management Processes

Effective grant management requires the establishment of controls designed to ensure that the grantee is complying with the grant provisions, the grantee's performance is acceptable, and grant payments are appropriately made. As part of our audit, we evaluated selected grant monitoring and payment processes at the six State agencies included in the scope of our audit. Specifically, we reviewed State agency records of recent monitoring efforts and grant payment documentation for the 83 grant agreements summarized in Table 5.

Table 5
Summary of Grant Agreements Tested

Agency	Number	Amount
DCF	46	\$2,315,675,336
DFS	3	405,000
DJJ	4	47,912,424
DMS	-	-
DOH	30	76,499,537
DOT	-	-
Totals	83	\$2,440,317,297

Finding No. 9: Grant Agreement Monitoring

Grant agreement monitoring evaluates grantee compliance and provides a means for the early detection of potential performance problems. Monitoring activities may include reviews of grantee-provided reports, onsite reviews and observations, and desk reviews. Monitoring documentation should include evidence of the criteria, standards, and process used to assess grantee performance. The DFS *State of Florida Contract and Grant User Guide* provides State agencies with grant monitoring guidance and states that the results of monitoring should be communicated in writing to the provider (or grantee) in a timely manner.

We reviewed State agency records for the grant monitoring efforts most-recent at the time of our audit field work for the 83 grant agreements summarized in Table 5. Our audit tests disclosed that sufficient documentation was not always available to demonstrate the grant monitoring criteria, standards and process used; the receipt and review of grant-required reports; the communication of monitoring results; and grant manager independence. Specifically, we found that:

Grant Monitoring Criteria, Standards, and Processes

- For 13 DCF grant agreements, totaling \$28,330,394, DCF staff performed a desk review and documented grantee monitoring utilizing a standard review tool. However, while each tool included a summary of the grant manager concerns and an overall statement regarding compliance, no specific documentation supporting the criteria, standards, and process used to determine that the grantee had satisfied the terms and conditions of the grant was available.
- For 4 DOH grant agreements, documentation supporting the criteria, standards, and process used by DOH staff to determine that the grantee had satisfied the terms and conditions of the grant was not available. For 2 of the agreements, totaling \$1,132,312, the grant monitoring documentation did not include sufficient detail of the criteria, standards, and process used, and for the other 2 agreements, totaling \$4,500,000, no evidence was available demonstrating that the desk reviews required by DOH policies and procedures had been performed.

Review of Required Reports

- For 7 DCF grant agreements, totaling \$24,340,225, and 7 DOH agreements, totaling \$28,683,221, agency staff did not always document that reports required by the grant agreements had been received and reviewed by the applicable grant managers. Evidence of review generally includes the grant manager's signature or initials and the date of the review.

Communication of Monitoring Results

- For 15 DCF grant agreements, totaling \$28,530,394, no documentation was available to support that the results of the desk reviews performed had been communicated to the grantee. Similarly, we noted for

5 DOH grant agreements, totaling \$21,663,820, that no documentation was available to support that the grant monitoring results were communicated to the grantee.

Grant Manager Independence

- For 7 DCF grant agreements (involving 5 grant managers), 3 DFS agreements (involving 1 grant manager), 2 DJJ agreements (involving 2 grant managers), and 6 DOH agreements (involving 7 grant managers), documentation was not available to demonstrate that all the grant managers were independent of, and had no conflict of interest in, the grantees whose grants they were assigned to manage.

Maintaining documentation of all grant monitoring activities, as well as evidence that grant managers are independent of, and have no conflict of interest in, the applicable grantees, would better demonstrate that State agencies have adequately and impartially evaluated grantee performance and compliance with grant provisions. Timely communication of monitoring results would provide increased assurance that any instances of potential grantee nonperformance or noncompliance will be timely remedied.

Recommendation: We recommend that State agency management ensure that grant monitoring activities and grant manager independence are appropriately documented and that the monitoring results are timely communicated to the grantee.

Finding No. 10: Grant Payments

As also noted with respect to contract payments, to ensure the appropriateness of expenditures, State agencies have the responsibility to establish and implement controls, including controls to prevent improper payments. Such controls should include, but not be limited to, verification that, prior to payment, amounts are accurate and adequately supported, transactions are accurately coded, and payments are properly approved.

As part of our audit, we reviewed State agency documentation for 146 payments associated with the 83 grant agreements summarized in Table 5 to determine whether the payments were properly approved, supported by adequate documentation, made in accordance with grant terms, and accurately recorded in the State's accounting records. Table 6 shows, by applicable State agency, the number and total amount of the grant payments tested.

Table 6
Summary of Grant Payments Tested

Agency	Number	Amount
DCF	80	\$40,505,442
DFS	6	65,625
DJJ	10	2,053,909
DMS	-	-
DOH	50	14,976,941
DOT	-	-
Totals	146	\$57,601,917

Our audit tests disclosed that for 4 grant payments, totaling \$2,269,148, the DOH did not document that the payments were properly approved; supported by adequate documentation, including all documentation and reports required by the grant; or made in accordance with applicable grant terms. Specifically, we found that:

- For 1 grant payment for \$250,000, documentation was not available to demonstrate that one of the eight agreement deliverables had been satisfied, or alternatively, that the grant manager had authorized an alternate

method of accomplishing the deliverable. According to the grant agreement terms, the payment was to have been reduced by \$31,250 for the missing deliverable.

- For 2 other grant payments, totaling \$1,380,448, the required client services report substantiating the invoiced services provided by the grantee was not available. Additionally, one of these payments for \$690,224 was approved by an individual other than the designated grant manager without appropriate justification or delegation of authority for payment approval.
- For another grant payment for \$638,700, the payment was approved by an individual other than the designated grant manager without appropriate justification or delegation of authority for payment approval.

State agencies could provide additional assurance related to the appropriate management of grant agreements by maintaining documentation demonstrating that all payments are properly approved, adequately supported, and made in accordance with grant terms.

Recommendation: We recommend that DOH management ensure that all grant payments are properly approved, adequately supported, and made in accordance with applicable grant terms.

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 May 2013 through March 2014 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 contract and grant management processes at the Department of Children and Families (DCF), Department of Financial Services (DFS), Department of Juvenile Justice (DJJ), Department of Management Services (DMS), Department of Health (DOH), and Department of Transportation (DOT). The overall objectives of the audit were:

- To evaluate management's performance in establishing and maintaining internal controls, including controls designed to prevent and detect fraud, waste, and abuse, and in administering assigned responsibilities in accordance with applicable laws, administrative rules, contracts, grant agreements, and guidelines.
- To examine internal controls designed and placed in operation to promote and encourage the achievement of management's control objectives in the categories of compliance, economic and efficient operations, the reliability of records and reports, and the safeguarding of assets, and identify weaknesses in those internal controls.
- To identify statutory and fiscal changes that may be recommended to the Legislature pursuant to Section 11.45(7)(h), Florida Statutes.

This audit was designed to identify, for those programs, activities, or functions included within the scope of the audit, deficiencies in management's internal controls, instances of noncompliance with applicable governing laws, rules, or contracts, and instances of inefficient or ineffective operational policies, procedures, or practices. The focus of this audit was to identify problems so that they may be corrected in such a way as to improve government accountability

and efficiency and the stewardship of management. Professional judgment has been used in determining significance and audit risk and in selecting the particular transactions, legal compliance matters, records, and controls considered.

As described in more detail below, for those programs, activities, and functions included within the scope of our audit, our audit work included, but was not limited to, communicating to management and those charged with governance the scope, objectives, timing, overall methodology, and reporting of our audit; obtaining an understanding of the program, activity, or function; exercising professional judgment in considering significance and audit risk in the design and execution of the research, interviews, tests, analyses, and other procedures included in the audit methodology; obtaining reasonable assurance of the overall sufficiency and appropriateness of the evidence gathered in support of our audit's findings and conclusions; and reporting on the results of the audit as required by governing laws and auditing standards.

Our audit included the selection and examination of transactions and records. Unless otherwise indicated in this report, these transactions and records were not selected with the intent of statistically projecting the results, although we have presented for perspective, where practicable, information concerning relevant population value or size and quantifications relative to the items selected for examination.

An audit by its nature, does not include a review of all records and actions of agency management, staff, and vendors, and as a consequence, cannot be relied upon to identify all instances of noncompliance, fraud, abuse, or inefficiency.

In conducting our audit we:

- Obtained an understanding of governing laws, rules, regulations, and other guidelines related to State agency contract and grant management processes.
- Performed inquiries, observations, and inspections of documents and records to determine whether the six State agencies included in the scope of our audit had adequately designed and implemented policies and procedures for the procurement of good and services that addressed all the requirements of applicable laws, rules, and other guidelines.
- Performed inquiries, observations, and inspections of documents and records relating to contract monitoring to determine whether the six State agencies included in the scope of our audit had properly developed an organizational structure to facilitate the communication of contract monitoring and administration responsibilities and authorities, and had adequately designed and implemented policies and procedures for the monitoring of contracts.
- Analyzed State agency data related to all contractual procurements during the period July 2010 through May 2013 for the six State agencies included in the scope of our audit to determine whether the agencies had divided the solicitation of commodities or contractual services so as to avoid the threshold for the competitive procurement requirements of Section 287.057, Florida Statutes.
- Analyzed the contract listings provided by the six State agencies included in the scope of our audit to determine whether the listings were complete and the information (e.g., contract effective dates) appeared reasonable.
- Examined agency records related to 73 noncompetitively procured contracts, totaling \$257,000,048, and active during the period July 2010 through May 2013, for the six State agencies included in the scope of our audit (i.e., 7 totaling \$5,086,185 at the DCF; 13 totaling \$157,016,873 at the DFS; 16 totaling \$17,983,401 at the DJJ; 6 totaling \$2,183,150 at the DMS; 18 totaling \$64,763,712 at the DOH; and 13 totaling \$9,966,727 at the DOT) to determine, as applicable, whether:
 - The contracts were procured in accordance with State law and supported by the documentation required by State law.
 - The contract documents included the applicable provisions required by State law.

- The assigned contract managers had attended the training required by State law and DFS guidelines.
- The documentation of the State agencies' most-recent monitoring efforts demonstrated that the contracts had been effectively monitored in accordance with State law, DFS guidelines, and applicable State agency policies and procedures.
- Examined documentation related to 124 contract payments totaling \$16,709,332 and made during the period July 2010 through May 2013 by the six State agencies included in the scope of our audit to determine whether the payments were properly approved, supported by adequate documentation, made in accordance with contract terms, and accurately recorded in the State's accounting records. The contract payments tested included: 11 totaling \$591,481 at the DCF; 28 totaling \$8,187,711 at the DFS; 29 totaling \$930,249 at the DJJ; 11 totaling \$884,201 at the DMS; 27 totaling \$5,240,183 at the DOH; and 18 totaling \$875,507 at the DOT.
- Examined documentation of the most-recent grant monitoring efforts completed by the six State agencies included in the scope of our audit for 83 grant agreements to determine whether the State agencies effectively monitored the grant agreements. The grant agreement monitoring documentation examined included that related to: 46 agreements at the DCF; 3 agreements at the DFS; 4 agreements at the DJJ; and 30 agreements at the DOH.
- Examined documentation related to 146 grant payments totaling \$57,601,917 and made during the period July 2010 through May 2013 by the six State agencies included in the scope of our audit to determine whether the grant payments were properly approved, supported by adequate documentation, made in accordance with grant terms, and accurately recorded in the State's accounting records. The grant payments tested included: 80 totaling \$40,505,442 at the DCF; 6 totaling \$65,625 at the DFS; 10 totaling \$2,053,909 at the DJJ; and 50 totaling \$14,976,941 at the DOH.
- Reviewed State of Florida statutory exemptions to competitive procurement requirements and compared to exemptions provided in 11 other states to assess the reasonableness of the State of Florida's exemptions.
- Reviewed the State of Florida's processes for maintaining a Statewide vendor list and tracking vendor performance information to the processes of other selected states to evaluate the efficacy of the State of Florida's vendor list and vendor performance information.
- Performed inquiries, observations, and inspections of documents and records to determine whether the DMS maintained adequate information on vendor performance and provided such information to State agencies.
- Compared the state Single Audit Act processes, laws, rules and regulations, and best practices of seven other states to the State of Florida processes for Florida Single Audit Act (FSAA) coordination to evaluate the State of Florida's processes.
- Performed inquiries with applicable staff at the six State agencies included in the scope of our audit to evaluate whether improvements to the FSAA were needed to avoid duplication of agency effort.
- Analyzed data from the population of State Financial Assistance recorded to object code 75XX during the period July 2010 through May 2013 (totaling approximately \$3.9 billion) to determine the number of non-State entities required to submit a financial reporting package and identify instances where potential duplication of State agency efforts may exist.
- Performed inquiries, observations, and inspections of documents and records relating to the DMS Procurement Process Improvement Plan (PPIP) to determine whether the DMS had achieved the goals of the PPIP.
- Analyzed FLAIR data for the six State agencies included in the scope of our audit to assess the agencies' compliance during the period July 2010 through June 2013 with the 20-day prompt payment requirement prescribed by Section 215.422, Florida Statutes, and evaluated whether the agencies were in material (greater than 95 percent) compliance.

- Reviewed State agency records for 156 contracts and grant agreements entered into during the period July 2010 through May 2013, and totaling \$2,697,317,345, to determine whether the contracts and grants information recorded in FACTS was in agreement with State agency records.
- Communicated on an interim basis with applicable officials to ensure the timely resolution of issues involving controls and noncompliance.
- 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 the 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 periodic 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 RESPONSES

In response letters dated June 19, 2014, through July 1, 2014, management of the selected State agencies provided responses to our audit findings and recommendations. The response letters are included as **EXHIBIT A**.

EXHIBIT A
MANAGEMENT'S RESPONSES

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EXHIBIT A (CONTINUED)
MANAGEMENT'S RESPONSES
DEPARTMENT OF CHILDREN AND FAMILIES



State of Florida
Department of Children and Families

Rick Scott
Governor

Mike Carroll
Interim Secretary

June 23, 2014

Mr. David W. Martin
Auditor General
G74 Claude Pepper Building
111 West Madison Street
Tallahassee, FL 32399-1450

Dear Mr. Martin:

Thank you for your May 29 letter and the accompanying preliminary and tentative audit findings and recommendations on the audit of Contract and Grant Management Processes at Selected State Agencies. The Department's responses to the findings and recommendations are attached.

If you or your staff have any questions, please contact, as applicable, Mr. Ronald Baker, Director of Contracted Client Services, at (850) 717-4602; Ms. Diane Dusenbury, Chief of Contract Monitoring, at (850) 717-4758; or Mr. Christopher Meadows, Chief of Contract Policy and Training, at (850) 487-9992.

We appreciate the work of your staff and look forward to working with them on future audits.

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

Sincerely,

Mike Carroll
Interim Secretary

Attachment

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 (CONTINUED)
MANAGEMENT'S RESPONSES
DEPARTMENT OF CHILDREN AND FAMILIES

RESPONSE TO PRELIMINARY AND TENTATIVE AUDIT FINDINGS

FLORIDA DEPARTMENT OF CHILDREN AND FAMILY SERVICES
CONTRACT AND GRANT MANAGEMENT PROCESSES
AT SELECTED STATE AGENCIES
Operational Audit

CONFLICT OF INTEREST

Finding No. 1: State agencies did not always document that employees involved in the contractor evaluation and selection process attested in writing, or timely attested, that they were independent of, and had no conflict of interest in, the entities evaluated and selected.

Recommendation: We recommend that State agency management take steps to ensure that conflict of interest attestations required by State law are timely completed by all individuals taking part in the contractor evaluation and selection process and that the attestation documents are appropriately maintained.

Response: The Department has redesigned the procurement and contract management process and has addressed the requirement that any individual involved in the procurement process, including the contract manager, be required to sign a conflict of interest form. In addition, the Department has incorporated these requirements into its Procurement and Contract Management training.

CONTRACT REVIEW, APPROVAL, AND EXECUTION

Finding No. 3: State agencies did not always document that contracts were properly reviewed, approved, and executed in accordance with State law.

Recommendation: We recommend that State agency management ensure that contracts are properly reviewed, approved, and executed in accordance with State law and that agency head delegations of authority are appropriately documented.

Response: The Department has approval routing requirements, which ensures that contracts are properly reviewed, approved, and executed in accordance with State law. The Department will add a separate section into its Contract Manager training to address this requirement.

CONTRACT PROVISIONS

Finding No. 4: Some State agencies did not always ensure that contracts included statutorily required provisions.

Recommendation: We recommend that DCF and DJJ management ensure that the provisions specified in state law are appropriately included in all applicable contracts.

Response: The Department has added the renewal provision language into Section 1.2 of the DCF Standard Integrated Contract.

EXHIBIT A (CONTINUED)
MANAGEMENT'S RESPONSES
DEPARTMENT OF CHILDREN AND FAMILIES

CONTRACT MANAGEMENT TRAINING

Finding No. 5: State agencies did not always document that contract managers received, or timely received, required training for accountability in contracts management.

Recommendation: We recommend that State agency management ensure that all contract managers attend the required DFS training for accountability in contracts management in accordance with State law and DFS guidelines. We also recommend that DFS management continue to maximize the availability of contracts management training to facilitate State agency compliance with the statutory training requirements.

Response: The Department monitors and keeps record of Contract Managers who complete the DFS Accountability training. The Office of Contracted Client Services' Contract Policy and Training Unit operates as the conduit to register Contract Administrators and Managers for the DFS Accountability training. In addition, the Contract Policy and Training Unit contacts DFS every three months to request a list of Department personnel who completed the Accountability training.

CONTRACT MANAGER CONFLICT OF INTEREST

Finding No. 6: State agencies did not always appropriately document that contract managers were independent of, and had no conflict of interest in, the entities whose contracts they were assigned to manage.

Recommendation: We recommend that State agency management ensure that documentation is maintained to demonstrate that contract managers are independent of, and have no conflict of interest in, the entities whose contracts they are assigned to manage.

Response: While this finding is based on an Auditor General best practice, it is not required under Florida Statutes. The Department has incorporated the requirement that Contract Managers execute a Department Conflict of Interest form for contracts under their management.

CONTRACT MONITORING

Finding No. 7: State agencies did not always document that sufficient contract monitoring had been performed in accordance with Department of Financial Services and applicable State agency guidelines.

Recommendation: We recommend that State agency management ensure that contract monitoring activities are appropriately performed and documented in accordance with DFS guidance and applicable State agency policies and procedures.

Response: DFS has not officially released requirements for contract monitoring. The Department follows the guidelines in place (Department of Children and Families Operating Procedures 75-8, Chapter 8), which set forth contract monitoring requirements for the Contract Oversight Unit. In addition, the Contract Oversight unit must follow requirements set forth in section 402.7305, Florida Statutes.

The Contract Oversight Unit's desk review process now includes specific identification of the documents and information from the Contract Manager's file in drawing its monitoring conclusions, such that an auditor could also obtain the same documentation from the contract

EXHIBIT A (CONTINUED)
MANAGEMENT'S RESPONSES
DEPARTMENT OF CHILDREN AND FAMILIES

file, if desired. Individuals involved in the contract, including the Contract Manager, are surveyed as part of the process, and the returned survey(s) are retained as working papers.

GRANT AGREEMENT MONITORING

Finding Number 9: State agencies did not always document that sufficient grant monitoring had been performed in accordance with DFS and applicable State agency procedures.

Recommendation: We recommend that State agency management ensure that grant monitoring activities and grant manager independence are appropriately documented and that the monitoring results are timely communicated to the grantee.

Response: DFS has not officially released requirements for contract monitoring. The Department follows the guidelines in place (Department of Children and Families Operating Procedure 75-8, Chapter 8), which set forth contract monitoring requirements for the Contract Oversight Unit. In addition, the Contract Oversight unit must follow requirements set forth in section 402.7305, Florida Statutes.

The Contract Oversight Unit's desk review process now includes specific identification of the documents and information from the Grant Manager's file in drawing its monitoring conclusions, such that an auditor could also obtain the same documentation from the contract file if desired. Individuals involved in the contract, including the Grant Manager, are surveyed as part of the process, and the returned survey(s) are retained as working papers.

In addition, the Department has added the renewal provision language into Section 1.2 of the DCF Standard Integrated Contract.

EXHIBIT A (CONTINUED)
MANAGEMENT'S RESPONSES
DEPARTMENT OF FINANCIAL SERVICES



CHIEF FINANCIAL OFFICER
JEFF ATWATER
STATE OF FLORIDA

June 19, 2014

Mr. David W. Martin
Auditor General
111 West Madison Street
Tallahassee, Florida 32399-1450

Dear Mr. Martin:

Pursuant to Section 11.45(4)(d), Florida Statutes, the enclosed response is provided for the preliminary and tentative audit findings related to the Department of Financial Services which are included in the Auditor General's multi-agency operational audit of *Contract and Grant Management Processes at Selected State Agencies*.

If you have any questions concerning this response, please contact Teresa Michael, Inspector General, at (850) 413-4960.

Sincerely,


Jeff Atwater

JA:rlg

Enclosure

EXHIBIT A (CONTINUED)
MANAGEMENT'S RESPONSES
DEPARTMENT OF FINANCIAL SERVICES

DEPARTMENT OF FINANCIAL SERVICES

**Contract and Grant Management Processes
at Selected State Agencies**

RESPONSE TO PRELIMINARY AND TENTATIVE AUDIT FINDINGS

Finding No. 1: Conflict of Interest
--

State agencies did not always document that employees involved in the contractor evaluation and selection process attested in writing, or timely attested, that they were independent of, and had no conflict of interest in, the entities evaluated and selected.

Recommendation: We recommend that State agency management take steps to ensure that conflict of interest attestations required by State law are timely completed by all individuals taking part in the contractor evaluation and selection process and that the attestation documents are appropriately maintained.

Response: We concur. Additional measures were taken to clarify policy verbiage and we have also incorporated the conflict of interest forms inside of the contract routing process to assist contract managers with obtaining the required signatures in a timely manner. DFS internal procurement training sessions are also being utilized to remind contract managers of this requirement. In addition, written communication will also be sent as a reminder of the contract manager's responsibility in this regard.

Expected Completion Date for Corrective Action: Complete and ongoing

EXHIBIT A (CONTINUED)
MANAGEMENT'S RESPONSES
DEPARTMENT OF FINANCIAL SERVICES

DEPARTMENT OF FINANCIAL SERVICES
Contract and Grant Management Processes
at Selected State Agencies

Finding No. 3: Contract Review, Approval, and Execution
--

State agencies did not always document that contracts were properly reviewed, approved, and executed in accordance with State law.

Recommendation: We recommend that State agency management ensure that contracts are properly reviewed, approved, and executed in accordance with State law and that agency head delegations of authority are appropriately documented.

Response: We concur. Additional measures have been taken to document delegations of authority. DFS internal contract manager training sessions are also being utilized to reinforce the requirement of maintaining this documentation within the contract manager files. In addition, written communication will also be sent as a reminder of the contract manager's responsibility in this regard.

Expected Completion Date for Corrective Action: Complete and ongoing

EXHIBIT A (CONTINUED)
MANAGEMENT'S RESPONSES
DEPARTMENT OF FINANCIAL SERVICES

DEPARTMENT OF FINANCIAL SERVICES

**Contract and Grant Management Processes
at Selected State Agencies**

Finding No. 5: Contract Manager Training

State agencies did not always document that contract managers received, or timely received, required training for accountability in contracts management.

Recommendation: We recommend that State agency management ensure that all contract managers attend the required DFS training for accountability in contracts management in accordance with State law and DFS guidelines. We also recommend that DFS management continue to maximize the availability of contracts management training to facilitate State agency compliance with the statutory training requirements.

Response: We concur. DFS management will continue to maximize the availability of contract management training to facilitate State agency compliance with the statutory training requirements.

Expected Completion Date for Corrective Action: Ongoing

EXHIBIT A (CONTINUED)
MANAGEMENT'S RESPONSES
DEPARTMENT OF FINANCIAL SERVICES

DEPARTMENT OF FINANCIAL SERVICES
Contract and Grant Management Processes
at Selected State Agencies

Finding No. 6: Contract Manager Conflict of Interest

State agencies did not always appropriately document that contract managers were independent of, and had no conflict of interest in, the entities whose contracts they were assigned to manage.

Recommendation: We recommend that State agency management ensure that documentation is maintained to demonstrate that contract managers are independent of, and have no conflict of interest in, the entities whose contracts they are assigned to manage.

Response: We concur. Additional measures have been taken to incorporate the conflict of interest forms inside of the contract routing process to assist contract managers with obtaining the required signatures prior to execution of the contract. DFS internal Contract Management training sessions are also being utilized to remind contract managers of this requirement. In addition, written communication will also be sent as a reminder of the contract manager's responsibility in this regard.

Expected Completion Date for Corrective Action: Complete and ongoing

EXHIBIT A (CONTINUED)
MANAGEMENT'S RESPONSES
DEPARTMENT OF FINANCIAL SERVICES

DEPARTMENT OF FINANCIAL SERVICES
Contract and Grant Management Processes
at Selected State Agencies

Finding No. 7: Contract Monitoring

State agencies did not always document that sufficient contract monitoring had been performed in accordance with Department of Financial Services (DFS) and applicable State agency guidelines.

Recommendation: We recommend that State agency management ensure that contract monitoring activities are appropriately performed and documented in accordance with DFS guidance and applicable State agency policies and procedures.

Response: We concur. DFS management will continue to maximize the DFS internal Contract Management training to remind contract managers of their responsibility to complete their vendor performance reviews and monitoring activities in a timely manner and in accordance with the individual plan associated with each contract. In addition, written communication will also be sent as a reminder of the contract manager's responsibility in this regard.

Expected Completion Date for Corrective Action: Ongoing

EXHIBIT A (CONTINUED)
MANAGEMENT'S RESPONSES
DEPARTMENT OF FINANCIAL SERVICES

DEPARTMENT OF FINANCIAL SERVICES

**Contract and Grant Management Processes
at Selected State Agencies**

Finding No. 8: Contract Payments

State agencies could not always demonstrate that contract payments were properly approved, supported by adequate documentation, or made in accordance with applicable contract terms and Chief Financial Officer memoranda.

Recommendation: We recommend that State agency management ensure that contract payments are properly approved, adequately supported, and made in accordance with applicable contract terms and CFO memoranda.

Response: We concur. We will continue to work with contract managers to remind them of their responsibility to maintain proper documentation of delegates and to include the certification signed directly by either the contract manager or their delegate.

Expected Completion Date for Corrective Action: Ongoing

EXHIBIT A (CONTINUED)
MANAGEMENT'S RESPONSES
DEPARTMENT OF FINANCIAL SERVICES

DEPARTMENT OF FINANCIAL SERVICES

**Contract and Grant Management Processes
at Selected State Agencies**

Finding No. 9: Grant Agreement Monitoring

State agencies did not always document that sufficient grant monitoring had been performed in accordance with DFS and applicable State agency procedures.

Recommendation: We recommend that State agency management ensure that grant monitoring activities and grant manager independence are appropriately documented and that the monitoring results are timely communicated to the grantee.

Response: We concur. Additional measures were taken to clarify policy verbiage and we have also incorporated the conflict of interest forms inside of the contract routing process to assist contract managers with obtaining the required signatures in a timely manner. DFS internal procurement and contract manager training sessions are also being utilized to remind contract managers of this and other requirements to reinforce the responsibilities of the contract manager and required documentation within their files. In addition, written communication will be sent as a reminder of the contract manager's responsibility in this regard.

Expected Completion Date for Corrective Action: Complete and ongoing

EXHIBIT A (CONTINUED)
MANAGEMENT'S RESPONSES
DEPARTMENT OF HEALTH

Mission:

To protect, promote & improve the health of all people in Florida through integrated state, county & community efforts.



Vision: To be the Healthiest State in the Nation

Rick Scott
Governor

John H. Armstrong, MD, FACS
State Surgeon General & Secretary

June 26, 2014

Mr. David W. Martin, CPA
Auditor General
Room G74, Claude Pepper Building
111 West Madison Street
Tallahassee, FL 32399-1450

Dear Mr. Martin:

We are pleased to respond to the preliminary and tentative audit findings and recommendations concerning the Office of the Auditor General's operational audit of *Contract and Grant Management Processes at Selected State Agencies*. Our response to the findings is enclosed, as required by Section 11.45(4)(d), *Florida Statutes*.

We appreciate the effort of you and your staff in assisting to improve our operations. Please contact our Director of Auditing, Michael J. Bennett, CIA, by calling (850) 245-4444, extension 2150, should you have any questions.

Sincerely,

John H. Armstrong, MD, FACS
State Surgeon General

JHA/mhb
Enclosure

cc: James D. Boyd, CPA, MBA, Inspector General
Michael J. Bennett, CIA, Director of Auditing

EXHIBIT A (CONTINUED)
MANAGEMENT'S RESPONSES
DEPARTMENT OF HEALTH

Preliminary and Tentative Findings



Report Number: [To be determined]
 Report Title: *Contract and Grant Management Processes at Selected State Agencies*
 Report Date: [To be determined]

No.	Finding	Recommendation	Management Response	Corrective Action Plan
Contract Management Processes				
1	State agencies did not always document that employees involved in the contractor evaluation and selection process attested in writing, or timely attested, that they were independent of, and had no conflict of interest in, the entities evaluated and selected.	We recommend that State agency management take steps to ensure that conflict of interest attestations required by State law are timely completed by all individuals taking part in the contractor evaluation and selection process and that the attestation documents are appropriately maintained.	We concur.	The Department of Health (DOH) is currently assessing the systemic reasons for the finding and will institute corrective action to effectuate the recommendation once better understood.
2	Some State agencies did not always document that cost analyses were completed prior to executing contracts.	We recommend that DOH management ensure that, for contracts awarded on a noncompetitive basis, documented cost analyses are completed prior to contract execution and in accordance with State law.	We concur.	DOH's contract management training will include specific instructions to facilitate the recommendation.
3	State agencies did not always document that contracts were properly reviewed, approved, and executed in accordance with State law.	We recommend that State agency management ensure that contracts are properly reviewed, approved, and executed in accordance with State law and that agency head delegations of authority are appropriately documented.	We concur.	DOH's contract management training will include specific instructions to facilitate the recommendation.
4	The finding did not relate to DOH.	A recommendation was not made to DOH.	Not Applicable (N/A)	N/A

EXHIBIT A (CONTINUED)
MANAGEMENT'S RESPONSES
DEPARTMENT OF HEALTH

Preliminary and Tentative Findings - Contract and Grant Management Processes at Selected State Agencies

No.	Finding	Recommendation	Management Response	Corrective Action Plan
5	State agencies did not always document that contract managers received, or timely received, required training for accountability in contracts management	We recommend that State agency management ensure that all contract managers attend the required Department of Financial Services (DFS) training for accountability in contracts management in accordance with State law and DFS guidelines.	We concur.	DOH's expectation that all contract managers attend DFS training has been made clear to DOH leadership.
6	State agencies did not always appropriately document that contract managers were independent of, and had no conflict of interest in, the entities whose contracts they were assigned to manage.	We recommend that State agency management ensure that documentation is maintained to demonstrate that contract managers are independent of, and have no conflict of interest in, the entities whose contracts they are assigned to manage.	We concur.	DOH is currently assessing the systemic reasons for the finding and will institute corrective action to effectuate the recommendation once better understood.
7	State agencies did not always document that sufficient contract monitoring had been performed in accordance with DFS and applicable State agency guidelines.	We recommend that State agency management ensure that contract monitoring activities are appropriately performed and documented in accordance with DFS guidance and applicable State agency policies and procedures.	We concur.	DOH's Contract Accountability Unit will ensure that contract monitoring activities are appropriately performed and documented in accordance with DFS guidance and DOH monitoring policies and procedures.
8	State agencies could not always demonstrate that contract payments were properly approved, supported by adequate documentation, or made in accordance with applicable contract terms and Chief Financial Officer (CFO) memoranda.	We recommend that State agency management ensure that contract payments are properly approved, adequately supported, and made in accordance with applicable contract terms and CFO memoranda.	We concur.	DOH's Contract Accountability Unit will ensure that contract payments are properly approved, adequately supported, and made in accordance with applicable contract terms and CFO memoranda.

EXHIBIT A (CONTINUED)
MANAGEMENT'S RESPONSES
DEPARTMENT OF HEALTH

Preliminary and Tentative Findings - Contract and Grant Management Processes at Selected State Agencies

No.	Finding	Recommendation	Management Response	Corrective Action Plan
Grant Management Processes				
9	State agencies did not always document that sufficient grant monitoring had been performed in accordance with DFS and applicable State agency procedures.	We recommend that State agency management ensure that grant monitoring activities and grant manager independence are appropriately documented and that the monitoring results are timely communicated to the grantee.	We concur.	DOH's grant management training will include specific instructions to facilitate the recommendation.
10	DOH could not always demonstrate that grant payments were properly approved, supported by adequate documentation, or made in accordance with applicable grant terms.	We recommend that DOH management ensure that all grant payments are properly approved, adequately supported, and made in accordance with applicable grant terms.	We concur.	DOH is currently assessing the systemic reasons for the finding and will institute corrective action to effectuate the recommendation once better understood.

EXHIBIT A (CONTINUED)
MANAGEMENT'S RESPONSES
DEPARTMENT OF JUVENILE JUSTICE



FLORIDA DEPARTMENT OF JUVENILE JUSTICE

Rick Scott, Governor

Wansley Walters, Secretary

June 26, 2014

Mr. David W. Martin, Auditor General
State of Florida
Claude Pepper Building
111 West Madison Street
Tallahassee, Florida 32399-1450

Dear Mr. Martin:

Enclosed is our response to the list of preliminary and tentative audit findings and recommendations for the operational audit of the Contract and Grant Management Processes at Selected State Agencies.

Pursuant to Section 11.45(4)(d), Florida Statutes, enclosed is a written statement of explanation concerning each of the findings, including our actual or proposed corrective actions.

Per your request, this response is being submitted electronically to flaudgen_audrpt_SGA@aud.state.fl.us. If you have any questions regarding this submission or need additional information, please contact Amy Johnson, Director of Program Accountability, at (850) 717-2620.

Sincerely,

A handwritten signature in blue ink, reading "Wansley Walters", is positioned above the typed name.

Wansley Walters
Secretary

Enclosure

2737 Centerview Drive • Tallahassee, Florida 32399-3100 • (850) 488-1850
<http://www.djj.state.fl.us>

The mission of the Department of Juvenile Justice is to increase public safety by reducing juvenile delinquency through effective prevention, intervention, and treatment services that strengthen families and turn around the lives of troubled youth.

EXHIBIT A (CONTINUED)
MANAGEMENT'S RESPONSES
DEPARTMENT OF JUVENILE JUSTICE

Department of Juvenile Justice
Response to Preliminary and Tentative Audit Findings
Auditor General – Contract and Grant Management Processes

Finding No. 2: Cost Analysis - Some State agencies did not always document that cost analyses were completed prior to executing contracts. Sixteen DJJ contracts were reviewed. For two DJJ contracts a cost analysis was not available and a third was completed 109 days after the contract was executed.

Response: For contracts awarded on a noncompetitive basis, the Bureau of Contracts Contract Administrator will ensure that documented evidence of a cost analysis is provided and recorded in the Contract Tracking System (CTS) prior to contract execution and in accordance with State law.

Finding No. 4: Contract Provisions – Some State agencies did not always ensure that contracts included statutorily required provisions. For thirteen DJJ contracts, twelve did not include a provision specifying that renewal costs may not be charged. Two also did not include a statement of the vendor's rights and the state's responsibility with regard to prompt payment of invoices. One contract did not include a provision specifying that bills for fees or other compensation for services or expenses be submitted in detail sufficient for a proper pre-audit and post-audit.

Response: DJJ Contract Administrators are responsible to ensure that the provisions specified in State law are appropriately included in all applicable contracts. As contracts are written or amended, they are reviewed to ensure that they contain the required language. Contracts are amended, as necessary, to include these required provisions. Contract templates were modified to ensure these provisions are included in all new and future contracts.

Finding No. 5: Contract Manager Training – State agencies did not always document that contract managers received, or timely received, required training for accountability in contracts management.

Response: As acknowledged in the report, DJJ has experienced difficulty in complying with the required training due to the availability of courses provided by the Department of Financial Services (DFS). DJJ will continue to work with DFS to ensure all contract managers are trained in the required course.

Finding No. 6: Contract Manager Conflict of Interest – State agencies did not always appropriately document that contract managers were independent of, and had no conflict of interest in, the entities whose contracts they were assigned to manage.

Response: DJJ Contract Managers now include a conflict of interest questionnaire in each contract that they manage. This is verified by the contract management supervisor.

Finding No. 7: Contract Monitoring – State agencies did not always document that sufficient contract monitoring had been performed in accordance with Department of Financial Services (DFS) and applicable State agency guidelines.

Response: DJJ completed a Department-wide risk assessment instrument in January 2014, and began use of that tool in April, 2014. Additionally, DJJ has standardized monitoring processes and procedures and is nearly complete with including all DJJ contracts/programs in its automated

EXHIBIT A (CONTINUED)
MANAGEMENT'S RESPONSES
DEPARTMENT OF JUVENILE JUSTICE

monitoring workflow system that will alert managers to outstanding monitoring items. This should be complete by September, 2014.

Finding No. 9: Grant Manager Independence – State agencies did not always have sufficient documentation to appropriately demonstrate that grant managers were independent of, and had no conflict of interest in, the grantees whose grants they were assigned to manage.

Response: DJJ Grant Managers now include a conflict of interest questionnaire in each grant that they manage. This is verified by the grant manager's supervisor.

EXHIBIT A (CONTINUED)
MANAGEMENT'S RESPONSES
DEPARTMENT OF MANAGEMENT SERVICES



4050 Esplanade Way
Tallahassee, FL 32399-0950
Tel: 850-488-2786 | Fax: 850-922-6149

Rick Scott, Governor

Craig J. Nichols, Agency Secretary

July 1, 2014

Mr. David W. Martin, CPA
Auditor General
G74 Claude Pepper Building
111 West Madison Street
Tallahassee, Florida 32399-1450

Dear Mr. Martin:

Pursuant to subsection 11.45(4)(d), Florida Statutes, this is our response to your report, ***Contract and Grant Management Processes at Selected State Agencies***. Our response corresponds with the findings and recommendations related to the Department of Management Services contained in the draft report.

If further information is needed concerning our response, please contact Walter Sachs, Inspector General, at 488-5285.

Sincerely,

A handwritten signature in blue ink, appearing to read 'Stacy Arias for', is written over the typed name.

Craig J. Nichols
Secretary

Attachment

cc: Stacy Arias, Deputy Secretary, Business Operations
Darren Brooks, Deputy Secretary, Workforce Operations
Debra Forbess, Director, Administration
Karen Armstrong, Director of Departmental Purchasing
Bruce Conroy, Interim General Counsel
Kelley Scott, State Purchasing Director
Ed Peters, Division of Telecommunications Director
Dan Drake, Division of Retirement Director
Walter Sachs, Inspector General
Yolanda Lockett, Audit Director

EXHIBIT A (CONTINUED)
MANAGEMENT'S RESPONSES
DEPARTMENT OF MANAGEMENT SERVICES

Preliminary and Tentative Audit Findings			
Status Date	Report No.	Report Title	
5/30/2014		Contract and Grant Management Processes at Selected State Agencies	
Contact Person	Program/Process	Phone No.	
Karen Armstrong	Departmental Purchasing	413-7190	
Activity	Accountability	Schedule	
	Responsible Unit	Repeat Finding	Anticipated Completion Date
Finding			
No.	1	Conflict of Interest	
Date	5/30/2014		
Finding	State agencies did not always document that employees involved in the contractor evaluation and selection process attested in writing, or timely attested, that they were independent of, and had no conflict of interest in, the entities evaluated and selected.		
Recommendation	We recommend that State agency management take steps to ensure that conflict of interest attestations required by State law are timely completed by all individuals taking part in the contractor evaluation and selection process and that the attestation documents are appropriately maintained.		
Response/Action Plan	Departmental Purchasing will ensure formal evaluation and negotiation team members appointed for future non-competitive solicitations have completed the Attestation of No Conflict of Interest and Non-Disclosure Form prior to evaluating vendor responses and posting the agency's notice of intent to award. Departmental Purchasing will maintain copies in the procurement file.		
Status Update-6mo			
☐ Open ☐ Management assumes risk ☐ Partially Complete ☐ Complete pending ☐ Complete			
Status Update-12mo			
☐ Open ☐ Management assumes risk ☐ Partially Complete ☐ Complete pending ☐ Complete			
Status Update-18mo			
☐ Open ☐ Management assumes risk ☐ Partially Complete ☐ Complete pending ☐ Complete			

EXHIBIT A (CONTINUED)
MANAGEMENT'S RESPONSES
DEPARTMENT OF MANAGEMENT SERVICES

Preliminary and Tentative Audit Findings			
Status Date	Report No.	Report Title	
5/30/2014		Contract and Grant Management Processes at Selected State Agencies	
Contact Person	Program/Process	Phone No.	
Karen Armstrong	Departmental Purchasing	413-7190	
Activity	Accountability	Schedule	
	Responsible Unit	Repeat Finding	Anticipated Completion Date
Finding			
No.	3	Contract Review, Approval, and Execution	
Date	5/30/2014		
Finding	State agencies did not always document that contracts were properly reviewed, approved, and executed in accordance with State law.		
Recommendation	We recommend that State agency management ensure that contracts are properly reviewed, approved, and executed in accordance with State law and that agency head delegations of authority are appropriately documented.		
Response/Action Plan	Departmental Purchasing will ensure that the DP200 Agreement Approval Form and the DP400 Contract Manager Summary Form is completed and routed for signature(s) to the appropriate DMS Executive Management and/or the agency head delegation prior to contract execution(s). Departmental Purchasing will ensure copies of both DP forms are included in the hard copy of the contract file, along with any delegations of the signing parties.		
Status Update-6mo			
☐ Open ☐ Management assumes risk ☐ Partially Complete ☐ Complete pending ☐ Complete			
Status Update-12mo			
☐ Open ☐ Management assumes risk ☐ Partially Complete ☐ Complete pending ☐ Complete			
Status Update-18mo			
☐ Open ☐ Management assumes risk ☐ Partially Complete ☐ Complete pending ☐ Complete			

EXHIBIT A (CONTINUED)
MANAGEMENT'S RESPONSES
DEPARTMENT OF MANAGEMENT SERVICES

Preliminary and Tentative Audit Findings			
Status Date	Report No.	Report Title	
5/30/2014		Contract and Grant Management Processes at Selected State Agencies	
Contact Person	Program/Process	Phone No.	
Karen Armstrong	Departmental Purchasing	413-7190	
Activity	Accountability	Schedule	
	Responsible Unit	Repeat Finding	Anticipated Completion Date
Finding			
No.	5	Contract Manager Training	
Date	5/30/2014		
Finding		State agencies did not always document that contract managers received, or timely received, required training for accountability in contracts management.	
Recommendation		We recommend that State agency management ensure that all contract managers attend the required DFS training for accountability in contracts management in accordance with State law and DFS guidelines. We also recommend that DFS management continue to maximize the availability of contracts management training to facilitate State agency compliance with the statutory training requirements.	
Response/Action Plan		Departmental Purchasing receives quarterly training information from DFS, and provides to DMS Contract Managers regarding upcoming Advancing Accountability trainings. Departmental Purchasing will continue to notify DMS Contract Managers of upcoming trainings on a quarterly basis. Departmental Purchasing will continue to keep a master log of DMS Contract Managers and the dates training was completed, and will notify the appropriate Contract Manager supervisor if the training has not been completed.	
Status Update-6mo			
☐ Open ☐ Management assumes risk ☐ Partially Complete ☐ Complete pending ☐ Complete			
Status Update-12mo			
☐ Open ☐ Management assumes risk ☐ Partially Complete ☐ Complete pending ☐ Complete			
Status Update-18mo			
☐ Open ☐ Management assumes risk ☐ Partially Complete ☐ Complete pending ☐ Complete			

EXHIBIT A (CONTINUED)
MANAGEMENT'S RESPONSES
DEPARTMENT OF MANAGEMENT SERVICES

Preliminary and Tentative Audit Findings			
Status Date	Report No.	Report Title	
5/30/2014		Contract and Grant Management Processes at Selected State Agencies	
Contact Person	Program/Process	Phone No.	
Karen Armstrong	Departmental Purchasing	413-7190	
Activity	Accountability	Schedule	
	Responsible Unit	Repeat Finding	Anticipated Completion Date
Finding			
No.	6 Contract Manager Conflict of Interest		
Date	5/30/2014		
Finding	State agencies did not always appropriately document that contract managers were independent of, and had no conflict of interest in, the entities whose contracts they were assigned to manage.		
Recommendation	We recommend that State agency management ensure that documentation is maintained to demonstrate that contract managers are independent of, and have no conflict of interest in, the entities whose contracts they are assigned to manage.		
Response/Action Plan	Departmental Purchasing recognizes that, though not legally required, this is a best practice. Thus, DMS will begin to maintain the appropriate DMS Contract Manager No Conflict of Interest statement in each hard copy of the contract file.		
Status Update-6mo			
☐ Open ☐ Management assumes risk ☐ Partially Complete ☐ Complete pending ☐ Complete			
Status Update-12mo			
☐ Open ☐ Management assumes risk ☐ Partially Complete ☐ Complete pending ☐ Complete			
Status Update-18mo			
☐ Open ☐ Management assumes risk ☐ Partially Complete ☐ Complete pending ☐ Complete			

EXHIBIT A (CONTINUED)
MANAGEMENT'S RESPONSES
DEPARTMENT OF MANAGEMENT SERVICES

Preliminary and Tentative Audit Findings			
Status Date	Report No.	Report Title	
5/30/2014		Contract and Grant Management Processes at Selected State Agencies	
Contact Person	Program/Process	Phone No.	
Karen Armstrong	Departmental Purchasing	413-7190	
Activity	Accountability	Schedule	
	Responsible Unit	Repeat Finding	Anticipated Completion Date
Finding			
No.	7 Contract Monitoring		
Date	5/30/2014		
Finding	State agencies did not always document that sufficient contract monitoring had been performed in accordance with Department of Financial Services (DFS) and applicable State agency guidelines.		
Recommendation	We recommend that State agency management ensure that contract monitoring activities are appropriately performed and documented in accordance with DFS guidance and applicable State agency policies and procedures.		
Response/Action Plan	Departmental Purchasing will ensure that the DP400 Contract Manager Summary is completed and routed for signature(s) prior to contract execution(s). Departmental Purchasing will continue to use the DP600 Annual Comparison of Active Written Agreements Form and will ensure copies of both DP forms are included in the hard copy of the contract file. The DP600 will also be edited to require additional monitoring documentation.		
Status Update-6mo			
☐ Open ☐ Management assumes risk ☐ Partially Complete ☐ Complete pending ☐ Complete			
Status Update-12mo			
☐ Open ☐ Management assumes risk ☐ Partially Complete ☐ Complete pending ☐ Complete			
Status Update-18mo			
☐ Open ☐ Management assumes risk ☐ Partially Complete ☐ Complete pending ☐ Complete			

EXHIBIT A (CONTINUED)
MANAGEMENT'S RESPONSES
DEPARTMENT OF MANAGEMENT SERVICES

Preliminary and Tentative Audit Findings			
Status Date	Report No.	Report Title	
5/30/2014		Contract and Grant Management Processes at Selected State Agencies	
Contact Person	Program/Process	Phone No.	
Karen Armstrong	Departmental Purchasing	413-7190	
Activity	Accountability	Schedule	
	Responsible Unit	Repeat Finding	Anticipated Completion Date
Finding			
No.	8 Contract Payments		
Date	5/30/2014		
Finding	State agencies could not always demonstrate that contract payments were properly approved, supported by adequate documentation, or made in accordance with applicable contract terms and Chief Financial Officer memoranda.		
Recommendation	We recommend that State agency management ensure that contract payments are properly approved, adequately supported, and made in accordance with applicable contract terms and CFO memoranda.		
Response/Action Plan	By September 2014, Departmental Purchasing will conduct a Contract Manager/General Purchasing training to educate DMS Divisions on the correct ways to implement, manage and pay formal contracts.		
Status Update-6mo			
☐ Open ☐ Management assumes risk ☐ Partially Complete ☐ Complete pending ☐ Complete			
Status Update-12mo			
☐ Open ☐ Management assumes risk ☐ Partially Complete ☐ Complete pending ☐ Complete			
Status Update-18mo			
☐ Open ☐ Management assumes risk ☐ Partially Complete ☐ Complete pending ☐ Complete			

EXHIBIT A (CONTINUED)
MANAGEMENT'S RESPONSES
DEPARTMENT OF TRANSPORTATION



Florida Department of Transportation

RICK SCOTT
GOVERNOR

605 Suwannee Street
Tallahassee, FL 32399-0450

ANANTH PRASAD, P.E.
SECRETARY

June 25, 2014

David W. Martin, CPA
Auditor General
Room G74, Claude Pepper Building
111 West Madison Street
Tallahassee, Florida 32399-1450

Dear Mr. Martin:

I am pleased to respond to the preliminary and tentative audit findings and recommendations concerning your audit of:

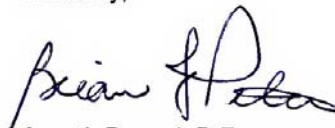
Department of Transportation – Operational Audit
Contract and Grant Management Processes at Selected State Agencies

As required by Section 11.45(4) (d), Florida Statutes, the Department's response to the operational audit findings is enclosed.

If you have any questions, please contact our Inspector General Bob Clift, at 850-410-5800.

I appreciate the efforts of you and your staff in assisting to improve our operations.

Sincerely,


for Ananth Prasad, P.E.
Secretary

AP: cm

Enclosure (1)

cc: Brian Peters, Assistant Secretary
Harold Bass, Director of Transportation Support
Robin Naitove, Comptroller
Robert E. Clift, Inspector General
Kristofer Sullivan, Director of Audit

www.dot.state.fl.us

EXHIBIT A (CONTINUED)
MANAGEMENT'S RESPONSES
DEPARTMENT OF TRANSPORTATION

Auditor General Audit of Contract and Grant Management Processes
Selected State Agencies

Department of Transportation

Response to Findings (4)

CONTRACT MANAGEMENT PROCESSES

Conflict of Interest

Finding Number 1: State agencies did not always document that employees involved in the contractor evaluation and selection process attested in writing, or timely attested, that they were independent of, and had no conflict of interest in, the entities evaluated and selected.

Recommendation: We recommend that State agency management take steps to ensure that conflict of interest attestations required by State law are timely completed by all individuals taking part in the contractor evaluation and selection process and that the attestation documents are appropriately maintained.

Agency Response and Corrective Action Plan:

FDOT accepts the recommendation.

Section 287.057(19), Florida Statutes states that "In any procurement that costs more than the threshold amount provided for in s. 287.017 for CATEGORY TWO and is accomplished without competition, the individuals taking part in the development or selection of criteria for evaluation, the evaluation process, and the award process shall attest in writing that they are independent of, and have no conflict of interest in, the entities evaluated and selected."

Central Office Legal and Procurement have clarified the requirement for conflict of interest certifications for FDOT staff involved in the award of Right-of-Way Office expert witness contracts, and legal services contracts. Subsequent to the AG audit inquiry, Conflict of Interest Certification Forms have been executed after-the-fact for each of the subject contracts. In conclusion, the audit identified a deficiency that has resulted in a necessary process improvement.

Estimated Corrective Action Date:

July 30, 2014

Agency Contact and Telephone Number:

Harry Bass, Director
Office of Transportation Support
850-414-5222

EXHIBIT A (CONTINUED)
MANAGEMENT'S RESPONSES
DEPARTMENT OF TRANSPORTATION

Contract Manager Training

Finding Number 5: State agencies did not always document that contract managers received, or timely received, required training for accountability in contracts management.

Recommendation: We recommend that State agency management ensure that all contract managers attend the required DFS training for accountability in contracts management in accordance with State law and DFS guidelines. We also recommend that DFS management continue to maximize the availability of contracts management training to facilitate State agency compliance with the statutory training requirements.

Agency Response and Corrective Action Plan:

FDOT accepts the recommendation.

The finding stated that DOT could not provide documentation evidencing the designation of a contract manager:

For 1 DOT contract for \$295,428, the DOT could not provide documentation evidencing the designation of a contract manager. Consequently, the DOT could not demonstrate whether the appropriate contract manager had attended the required DFS training.

FDOT produced a copy of a recent payment dated 4/22/14, (Receiving Report and Invoice Transmittal Form #350-060-02) that provides the printed name and signature of Jerry Bryant as the contract manager for Contract No. BDR08. The signed Receiving Report is documentation evidencing the designation of a contract manager for Contract No. BDR08.

The audit query has however prompted an opportunity for process improvement. The FDOT FACTS System (the Department's business application for uploading contract data into DFS FACTS) has been internally designated as the official database for documenting contract managers for FDOT contracts. The FDOT Florida Accountability Contract Tracking System (FACTS) Checklist Form # 375-040-75 has been modified to incorporate the following instructions for completing the Contract Manager data field in FDOT FACTS: "(Contract Manager) represents FDOT employee responsible for enforcing performance of the agreement terms and conditions, and responsible for receipt and approval of goods and/or services. This field is mandatory, and must be updated when a new contract manager is assigned." The Contract Manager name will be systematically populated from the FDOT FACTS application into the Receiving Report and Invoice Transmittal Form, as the individual who is designated the official Contract Manager.

Estimated Corrective Action Date:

6/30/14

Agency Contact and Telephone Number:

Harry Bass, Director
Office of Transportation Support
850-414-5222

EXHIBIT A (CONTINUED)
MANAGEMENT'S RESPONSES
DEPARTMENT OF TRANSPORTATION

Contract Manager Conflict of Interest

Finding Number 6: State agencies did not always appropriately document that contract managers were independent of, and had no conflict of interest in, the entities whose contracts they were assigned to manage.

Recommendation: We recommend that State agency management ensure that documentation is maintained to demonstrate that contract managers are independent of, and have no conflict of interest in, the entities whose contracts they are assigned to manage.

Agency Response and Corrective Action Plan:

FDOT will review the recommended best practice.

State law does not impose a requirement for documentation of contract manager independence to be maintained in the contract file. FDOT will internally review our policies to determine whether a change in processes is warranted by the recommended best practice.

Estimated Corrective Action Date:

No correction is necessary.

Agency Contact and Telephone Number:

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EXHIBIT A (CONTINUED)
MANAGEMENT'S RESPONSES
DEPARTMENT OF TRANSPORTATION

Contract Payments

Finding Number 8: State agencies could not always demonstrate that contract payments were properly approved, supported by adequate documentation, or made in accordance with applicable contract terms and Chief Financial Officer Memoranda.

Recommendation: We recommend that State agency management ensure that contract payments are properly approved, adequately supported, and made in accordance with applicable contract terms and CFO memoranda.

Agency Response and Corrective Action Plan:

FDOT accepts the recommendation.

The finding stated that DOT could not provide documentation evidencing that payments were properly approved by the designated contract manager:

For 2 DOT contract payments, totaling \$8,055, the DOT could not provide documentation evidencing the designation of a contract manager. Consequently, the DOT could not demonstrate that the payments were properly approved by the designated contract manager.

This finding is related to Finding No. 5, for Contract No. BDR08.

The audit query has prompted an opportunity for process improvement. The FDOT FACTS System (the Department's business application for uploading contract data into DFS FACTS) has been internally designated as the official database for documenting contract managers for FDOT contracts. The FDOT Florida Accountability Contract Tracking System (FACTS) Checklist Form # 375-040-75 has been modified to incorporate the following instructions for completing the Contract Manager data field in FDOT FACTS: "(Contract Manager) represents FDOT employee responsible for enforcing performance of the agreement terms and conditions, and responsible for receipt and approval of goods and/or services. This field is mandatory, and must be updated when a new contract manager is assigned." The Contract Manager name will be systematically populated from the FDOT FACTS application into the Receiving Report and Invoice Transmittal Form, as the individual who is designated the official Contract Manager.

Estimated Corrective Action Date:

6/30/14

Agency Contact and Telephone Number:

Harry Bass, Director
Office of Transportation Support
850-414-5222