

DEPARTMENT OF HEALTH

Biomedical Research Program
Prior Audit Follow-Up



Sherrill F. Norman, CPA
Auditor General

State Surgeon General and State Health Officer

The Department of Health is created by Section 20.43, Florida Statutes. The head of the Department is the State Surgeon General and State Health Officer who is appointed by the Governor subject to confirmation by the Senate. Dr. John H. Armstrong served as the State Surgeon General and State Health Officer during the period of our audit.

The team leader was E. Annette Green, CPA, and the audit was supervised by Karen Van Amburg, CPA.

Please address inquiries regarding this report to Lisa Norman, CPA, Audit Manager, by e-mail at lisanorman@aud.state.fl.us or by telephone at (850) 412-2831.

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DEPARTMENT OF HEALTH

Biomedical Research Program Prior Audit Follow-Up

SUMMARY

This operational audit of the Department of Health focused on evaluating actions taken by the Department to correct deficiencies disclosed in our report No. 2014-025 related to the Biomedical Research Program (Program). Our audit disclosed the following:

Finding 1: As similarly noted in our report No. 2014-025, the Program did not ensure that grant recipients were appropriately monitored and in some instances, paid amounts to recipients that exceeded the amounts expended by the recipients.

Finding 2: Program grant applications and agreements could be enhanced to specify that grant recipients are to adhere to the policies and procedures outlined in the Department's Grant Administration Manual. In addition, the Department did not always ensure that Program grant agreements were properly reviewed and approved prior to execution. Similar instances were noted in our report No. 2014-025.

Finding 3: As similarly noted in our report No. 2014-025, Department controls did not always ensure the accurate recording of Program expenditures. Additionally, Department controls were not always adequate to ensure that Program invoices were timely paid.

BACKGROUND

The Department of Health (Department), Division of Community Health Promotion, Public Health Research Section, administered the Biomedical Research Program (Program). The Program included two grant-funding programs: the James and Esther King Biomedical Research Program (JEK) and the Bankhead-Coley Cancer Research Program (BCP).¹ According to State law,² any State university or established research institute may apply for grant funding. Program awards are to be made on the basis of scientific merit, as determined by a competitive, open peer-reviewed process that ensures objectivity, consistency, and high quality. Funds credited to the Department's Biomedical Research Trust Fund³ as well as General Revenue funds were used to carry out the purposes of the Program. For the 2014-15 fiscal year, JEK and BCP appropriations totaled \$20,000,000.⁴

James and Esther King Biomedical Research Program (JEK)

State law⁵ establishes the JEK to provide an annual and perpetual source of funding to support research initiatives that address the health care problems of Floridians in the areas of tobacco-related cancer, cardiovascular disease, stroke, and pulmonary disease. The JEK is funded from interest earned by the

¹ Sections 215.5602 and 381.922, Florida Statutes.

² Sections 215.5602(5)(a), and 381.922(3)(a), Florida Statutes.

³ Section 20.435(8), Florida Statutes.

⁴ Chapter 2014-051, Laws of Florida.

⁵ Section 215.5602, Florida Statutes.

Lawton Chiles Endowment Fund⁶ and a portion of the surcharges on cigarettes and other tobacco products deposited into the Agency for Health Care Administration's Health Care Trust Fund.⁷ The JEK also received General Revenue funding for the 2013-14 and 2014-15 fiscal years. The JEK has the following long-term, statutorily mandated goals:

- To improve the health of Floridians by researching better prevention, diagnoses, treatments, and cures for cancer, cardiovascular disease, stroke, and pulmonary disease.
- To expand the foundation of biomedical knowledge relating to the prevention, diagnosis, treatment, and cure of diseases related to tobacco use, including cancer, cardiovascular disease, stroke, and pulmonary disease.
- To improve the quality of the State's academic health centers by bringing the advances of biomedical research into the training of physicians and other health care providers.
- To increase the State's per capita funding for research by undertaking new initiatives in public health and biomedical research that will attract additional funding from outside the State.
- To stimulate economic activity in the State in areas related to biomedical research, such as the research and production of pharmaceuticals, biotechnology, and medical devices.

Bankhead-Coley Cancer Research Program (BCP)

State law⁸ establishes the BCP to advance progress towards cures for cancer through grants awarded through a peer-reviewed, competitive process. The BCP is funded by a portion of the surcharges on cigarettes and other tobacco products deposited into the Health Care Trust Fund.⁹ During the 2013-14 and 2014-15 fiscal years, the BCP also received General Revenue funding. Pursuant to State law,¹⁰ the BCP provides grants for cancer research to further the search for cures for cancer, with emphasis on the following goals:

- To significantly expand cancer research capacity in the State.
- To improve both research and treatment through greater participation in clinical trials networks.
- To reduce the impact of cancer on disparate groups.

During the period October 2013 through January 2015, the Program entered into 42 grant agreements (19 JEK grants and 23 BCP grants) with awards totaling \$16,739,093.

FINDINGS AND RECOMMENDATIONS

Finding 1: Grant Management

To execute Program grants, the Department enters into agreements with grant recipients. Effective grant management requires the monitoring of grantee performance to determine compliance with grant provisions and to provide a means for early detection of potential performance problems. To demonstrate effective grant management, monitoring activities should be documented in Department records.

⁶ Section 215.5601(5)(a)(1), Florida Statutes.

⁷ Sections 210.011(9), 210.276(7), and 215.5602(12)(a), Florida Statutes.

⁸ Section 381.922, Florida Statutes.

⁹ Sections 210.011(9), 210.276(7), and 215.5602(12)(a), Florida Statutes.

¹⁰ Section 381.922(2), Florida Statutes.

During the period January 2014 through January 2015, the Department made grant payments totaling \$7,622,786 to 14 recipients for research related to 77 JEK and BCP grants. Program grant agreements specified that payments were to be made to recipients upon satisfactory and timely completion of contracted deliverables, and required recipients to return any unused grant funds and any grant funds related to disallowed expenditures or unsatisfactorily completed deliverables. To receive payment, grantees were required to submit an invoice and any financial and progress reports described in the grant agreement. Program policies and procedures required Program staff to review and approve financial and progress reports as well as invoices for payment. To prevent the overpayment of grant funds, grant agreements provided that the final payment to the recipient at the end of the grant period was to be based on a reconciliation of total grantee expenditures to total grant payments.

As part of our follow-up audit procedures, we examined Department grant management records for the period December 2013 through January 2015, and grant payment records through March 2015. As similarly noted in our report No. 2014-025, finding No. 3, our examination disclosed that improvements in monitoring Program grant recipients and ensuring the appropriateness of grant payments were still needed. Specifically, we found that:

- Program staff had not conducted sufficient monitoring of grant recipients to ensure that recipients complied with all grant terms and conditions. Although Program staff had reviewed and approved grantee financial reports and progress reports before approving invoices for payment, Program staff had not performed additional procedures, such as reviewing records to support the reported expenditure amounts or evaluating whether the activities described in the progress reports were consistent with the expenditures incurred.
- For eight of ten grant agreements examined, as of March 31, 2015, Program payments to recipients exceeded total actual recipient expenditures by \$792,349 (49 percent). For these grant agreements, Program staff had not documented the purpose for the payments exceeding actual recipient expenditures.

Effective grant management, including appropriate recipient monitoring, provides greater assurance that recipients comply with all grant terms and conditions and that Program funds are effectively and efficiently used only for the intended purposes. In addition, absent appropriate documentation demonstrating the purpose for making payments to a recipient in excess of actual recipient expenditures, the risk is increased that the Department will inappropriately overpay funds which the Department may not recover at the end of the grant period from the recipient.

Recommendation: We recommend that Program management ensure that appropriate monitoring of grant recipients is performed. Such monitoring should include verifying that recipient financial records support reported expenditures. In addition, we recommend that Department management enhance grant payment procedures to require that all payments made in excess of amounts expended by grant recipients be supported by documentation demonstrating the purpose for such payments.

Finding 2: Grant Awards

The Program's Grant Administration Manual (Manual) includes policies and procedures to be used by grantees receiving Program funds. The Manual defines grantee and Department roles and responsibilities and includes policies and procedures for items such as the allowable uses of grant funds, requirements for spending 90 percent of funds within the State, the acquisition and disposition of property

purchased with grant funds, and how proposed changes in key personnel or protocol are to be submitted to the Department for approval. Department policies and procedures¹¹ also require that, before an agreement was executed, the agreement be subjected to program, financial, and legal reviews and approvals.

During the period December 2013 through January 2015, the Department executed 33 grant agreements with awards totaling \$15,593,259 to various entities for JEK and BCP research. As part of our audit, we reviewed the Department's standard JEK and BCP grant agreement as well as JEK and BCP grant applications and noted that the Department had not specified in the grant applications or the terms and conditions of its grant agreements that recipients were to comply with the policies and procedures set forth in the Manual. In response to our audit inquiry, Program staff indicated that the binding nature of the Manual had not been specified in grant applications and grant agreements due to an oversight.

Additionally, as similarly noted in our report No. 2014-025, finding No. 3, our examination of Department records for ten grant agreements with awards totaling \$6,399,659 disclosed one JEK grant agreement where Department financial and legal staff reviewed and approved the agreement 17 and 23 days, respectively, after the agreement was executed.

Specifying within the grant applications and the terms and conditions of each agreement that recipients are to adhere to the policies and procedures included in the Manual would better ensure that recipients are fully aware of all applicable grant requirements and that those requirements are enforceable. In addition, proper review and approval of grant agreements prior to execution would help ensure that sufficient funds are available to support the award and that the award is legally sufficient and protects the Department's interests.

Recommendation: We recommend that Department management revise the standard Program grant applications and agreements to specifically require recipients to adhere to the Manual and ensure that Program grant agreements are properly reviewed and approved prior to execution.

Finding 3: Coding and Timeliness of Expenditures

To carry out the Program's goals, in addition to grant payments totaling \$7,622,786, the Department expended \$778,693 during the period January 2014 through January 2015 for administrative costs related to items such as salaries and benefits, travel, and communications. To ensure the appropriateness of Program expenditures, the Department has the responsibility to establish and implement controls, including controls to prevent improper payments. Such controls should include, but not be limited to, procedures for accurately coding expenditure transactions and timely recording transactions into the State's accounting records, the Florida Accounting Information Resource Subsystem (FLAIR).

As part of our audit, we examined documentation for selected Program expenditure transactions incurred during the period January 2014 through January 2015, including: 50 administrative expenditure transactions (including, but not limited to, transactions for travel, purchases of computer equipment, and payments to the contracted administrative services provider) totaling \$692,195, and 10 payments totaling

¹¹ Department, Bureau of General Services, *Contractual Services Policy and Procedure* (DOHP 250-14-11).

\$852,564 made to grant recipients. As similarly noted in our report No. 2014-025, finding No. 5, our examination disclosed that the Department's controls did not always ensure the proper coding of expenditures or the timely payment of invoices. Specifically:

- Of the 25 travel payments tested, 9 payments totaling \$4,664 for out-of-State travel were incorrectly recorded in FLAIR as in-State travel. In response to our audit inquiry, Department personnel indicated that the incorrect coding was due to an oversight by Program staff that had not been identified and corrected by Department accounting personnel.
- The Department incorrectly recorded in FLAIR the transaction dates for 2 expenditure transactions, totaling \$664,516. State law¹² requires that State agencies record all invoices received in FLAIR, approve the invoices for payment, and file the invoices with the State's Chief Financial Officer (CFO) no later than 20 days after receipt of the invoice and receipt, inspection, and approval of the goods or services, except in case of a bona fide dispute. If a warrant in payment of an invoice is not issued within 40 days after receipt of the invoice, State law¹³ requires the agency to pay interest to the vendor on the unpaid balance. The Department of Financial Services (DFS) issued guidance¹⁴ specifying that, in the FLAIR Transaction Date field, State agencies are to record the later of the date the goods or services were received, inspected, and approved, or the date the invoice was received. The DFS uses the Transaction Date field to monitor State agency compliance with the statutory prompt payment requirements and to identify those transactions for which an agency would be required to pay interest. We noted that, for the 2 transactions, rather than using the dates the invoices were originally received by the Program Office, Department staff recorded the dates the invoices were received by Finance and Accounting. The transaction dates recorded by the Department were 7 and 128 days later than the transaction dates supported by Department documentation. Had the Department correctly recorded the transaction date for 1 of the 2 transactions, the Department would not have complied with the prompt payment requirements.

Without accurate transaction dates, instances of noncompliance with prompt payment requirements may not be identified by the DFS and the Department may not make required interest payments.

- Grant managers are required by Department policies and procedures to review and approve grantee payment documentation, including invoices, financial reports, and progress reports, within 5 working days.¹⁵ Contrary to Department policies and procedures, two grant payments totaling \$131,048 were approved for payment 29 and 112 days, respectively, after their invoice dates. In response to our audit inquiry, Program management indicated that for one of the grant payments, the related invoice and supporting documentation was sent to an e-mail address that was not routinely monitored and then to the inbox of a Program employee who was on leave.

Accurate expenditure coding within FLAIR strengthens accountability and helps ensure the Department adheres to statutory prompt payment requirements. Additionally, effective controls for the timely approval of Program invoices provides for the prompt payment of grant invoices after recipients satisfy agreement requirements.

Recommendation: We recommend that Department management enhance procedures to ensure the accurate coding of FLAIR expenditure transactions, in compliance with DFS guidance. In addition, we recommend that Department management take steps to ensure that all Program payment documentation is timely approved in accordance with Department policies and procedures.

¹² Section 215.422(1), Florida Statutes.

¹³ Section 215.422(3)(b), Florida Statutes.

¹⁴ CFO Memorandum No. 1 (2013-14).

¹⁵ Department Internal Operating Procedure 56-23-13.

PRIOR AUDIT FOLLOW-UP

Except as discussed in the preceding paragraphs, the Department had taken corrective actions for the findings included in our report No. 2014-025.

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 January 2015 to June 2015 in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

This operational audit focused on evaluating actions taken by the Department to correct deficiencies disclosed in our report No. 2014-025 related to the Biomedical Research Program (Program). 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 determine whether management had corrected, or was in the process of correcting, all applicable deficiencies disclosed in our report No. 2014-025.
- 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:

- Evaluated Department actions taken to correct the findings noted in our report No. 2014-025. Specifically, we:
 - Reviewed applicable laws, rules, regulations, and Department policies and procedures, and interviewed Department personnel to gain an understanding of the Program's operations.
 - Obtained an understanding of internal controls and evaluated the effectiveness of key Program processes, policies, and procedures.
 - Obtained and reviewed information about Program staffing during the period January 2014 through January 2015 and evaluated the sufficiency of Program staffing to carry out Program operations.
 - Examined Department records related to the contract with the Program's administrative services provider to determine whether the contract was procured and amended in accordance with governing laws, rules, and Department policies and procedures. In addition, reviewed Department and other records to identify the contract manager, administrator, and supervisor and to determine whether the contract manager had attended required training and whether all individuals were Department employees.
 - From the population of 33 grants, totaling \$15,593,259, awarded during the period December 2013 through January 2015, examined documentation related to 10 grant agreements with awards totaling \$6,399,659, to determine whether the grant agreements and related amendments were properly reviewed and approved, and whether the Department effectively monitored grantees to ensure compliance with grant provisions and applicable laws, rules, and regulations.
 - From the population of 304 Program grant payment transactions, totaling \$7,622,786, made during the period January 2014 through January 2015, examined documentation related to 10 grant payments totaling \$852,564 (5 JEK grant payments totaling \$391,611 and 5 BCP grant payments totaling \$460,953) to determine whether the payments were properly authorized, supported, reviewed, and correctly recorded in the accounting records, made only after receipt of applicable grant deliverables, and made in accordance with grant provisions, applicable laws, rules, and regulations.
 - From the population of 3,403 Program administrative expenditures, totaling \$778,693, made during the period January 2014 through January 2015, examined documentation related to 50 administrative expenditures totaling \$692,195 to determine whether the expenditures were

properly authorized, supported, reviewed, and correctly recorded in FLAIR, and whether the expenditures were made in accordance with applicable laws, rules, and Department policies and procedures.

- Performed inquiries, inspections of documents and records, and analytical procedures related to the Program's administrative expenditure limits for the period January 2014 through January 2015 to determine whether Department controls were in place to properly identify and appropriately allocate administrative expenditures to the JEK and the BCP and to determine whether administrative expenditures were within required limits.
- For four entities receiving 2014-15 fiscal year line-item appropriations totaling \$11,625,000, examined documentation to determine whether the Department had executed a formal agreement with the entities prior to distributing the appropriated funds. Also, examined documentation for six entities to which the Department distributed 2013-14 and 2014-15 fiscal year appropriated funds, totaling \$21,987,500, during the period January 2014 through January 2015 to determine whether the Department had properly monitored the entities.
- 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. Management's response is included in this report under the heading **MANAGEMENT'S RESPONSE**.

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.



Sherrill F. Norman, CPA
Auditor General

MANAGEMENT'S RESPONSE

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

September 3, 2015

Ms. Sherrill F. Norman, CPA
Auditor General
Room G74, Claude Pepper Building
111 West Madison Street
Tallahassee, FL 32399-1450

Dear Ms. Norman:

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 *Department of Health, Biomedical Research Program Prior Audit Follow-Up*. Our response to the findings is enclosed, as required by Section 11.45(4)(d), *Florida Statutes*.

We appreciate the efforts 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
Surgeon General & Secretary

JHA/mhb
Enclosure

cc: James D. Boyd, CPA, MBA, Inspector General
Michael J. Bennett, CIA, Director of Auditing
J. Martin Stubblefield, Deputy Secretary for Administration

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Preliminary and Tentative Findings



Report Number: To be determined
 Report Title: *Biomedical Research Program Prior Audit Follow-Up*
 Report Date: To be determined

No.	Finding	Recommendation	Management Response	Corrective Action Plan
1.1	As similarly noted in our report No. 2014-025, the Program did not ensure that grant recipients were appropriately monitored and in some instances, paid amounts to recipients that exceeded the amounts expended by the recipients.	We recommend that Program management ensure that appropriate monitoring of grant recipients is performed. Such monitoring should include verifying that recipient financial records support reported expenditures.	We concur.	<p>In Progress. Projected Completion Date – September 15, 2015</p> <p>Prior to October 2013, management of our grants was performed by an external vendor. In an effort to reduce administrative expenditures and increase programmatic efficiencies, grant management was assumed by the Program. The Program has awarded 16 grants since June 2014. These grants are currently monitored through the deliverables and procedures listed below:</p> <p>The following deliverables are received from Grantees on a quarterly basis:</p> <ul style="list-style-type: none"> • Quarterly Progress Summary Report • Quarterly Financial Status Report • Quarterly "Fixed-Payment" invoice • Quarterly Expenditure Summary Report (added April 2015) <p>The Program established the following procedures and steps to monitor grant awards:</p> <ul style="list-style-type: none"> • The Quarterly Progress Summary Report is reviewed and approved by the grant manager and unit supervisor if sufficient research progress indicated is aligned with the expectations outlined in the Terms and Conditions (Terms) of the research grant and the project proposal outlined in the application for grant funding. If sufficient progress has not been made, the grantee is notified in writing that based on the lack of progress made, the quarterly invoice will not be processed for payment. • The Quarterly Financial Status Report is reviewed and approved by the grant manager and unit supervisor if the reported expenditures are aligned with the most recently approved grant budget. If the report is not aligned with the approved budget, the grantee is notified in writing the quarterly invoice will not be processed for payment.

No.	Finding	Recommendation	Management Response	Corrective Action Plan
				<ul style="list-style-type: none"> • Each quarterly "Fixed-Payment" invoice is reviewed and approved by the grant manager and unit supervisor if the invoice contains the following fields: <ul style="list-style-type: none"> ○ Invoice number and date ○ Department grant number ○ Remit address ○ Fixed payment amount or reconciled amount if final payment ○ Period of service ○ Signed by grantee If the invoice does not contain all of the required fields or correct information, the grantee is notified in writing of any correction needed in order to process payment. • The <i>Quarterly Expenditure Summary Report (QESR)</i>. This was an added deliverable to the Terms in April 2015 for fiscal year 2014-2015 grants and all future grant awards. This was added to ensure the grantee's financial records support the reported expenditures. The QESR will provide a detailed description and supporting documentation of expenditures by budget category for each quarter of the grant. The QESR will be reviewed and reconciled against the approved grant budget by the grant manager. After the grant manager reviews and approves the QESR, it is then routed to the Director of the Public Health Research Unit for review and approval. This review will begin upon the receipt the first quarterly invoice of fiscal year 2015-2016. <p>Additionally, we perform the following financial monitoring of grant expenditures:</p> <ul style="list-style-type: none"> • The Program created a desk monitoring tool that is used on a monthly basis by the Grant Manager to ensure grant files contain all the required documentation. This review is signed by the Grant Manager and the Unit Supervisor. If documentation is missing, the necessary steps are taken to meet all requirements. • The Grant Manager and Unit Budget Coordinator performs a monthly spending plan reconciliation to ensure all grant funds are recorded properly. If any adjustments are needed, correction requests are prepared and submitted to the Budget Office for processing. The Program staff tracks until successful completion.

Preliminary and Tentative Findings - Biomedical Research Program Prior Audit Follow-Up

No.	Finding	Recommendation	Management Response	Corrective Action Plan
1.2	As similarly noted in our report No. 2014-025, the Program did not ensure that grant recipients were appropriately monitored and in some instances, paid amounts to recipients that exceeded the amounts expended by the recipients.	We recommend that Department of Health enhance grant payment procedures to require that all payments made in excess of amounts expended by grant recipients be supported by documentation demonstrating the purpose for such payments.	We concur.	Completed. Background: The payment section in the grant Terms are established based on a fixed-payment schedule which is shown in Attachment II of each grant. This pre-determined fixed quarterly amount is only paid for satisfactory and timely deliverables. These grants are not cost reimbursable. Therefore, the grantees quarterly expenditures are not taken into consideration when payment is made unless, reported expenditures exceed the approved grant budget. Corrective Action: Prior to Fall 2013, grantees received the full grant award amount based on the quarterly fixed payment schedule. This often resulted in an overpayment of funds, requiring a refund from the grantee. In an effort to prevent an overpayment of funds, the Program revised the Terms in the Fall of 2013 that requires the final invoice amount to be based on a final grant reconciliation of expenditures. The final invoice amount is based on a reconciliation of all costs associated with the project not to exceed the fixed amount indicated in Attachment II of the Terms. The grantee's final invoice will be adjusted and reduced for any disallowed expenditures, funds unaccounted for due to non-submission of required deliverables, or other unused grant funds at the end of the grant period. This method ensures that at the completion of the grant, the grantee is only paid for their approved expenditures during the life of the grant. If the grantee's expenditures indicate that they owe the Department a refund – the final payment will not be made and a refund check will be issued for the difference.

Preliminary and Tentative Findings - Biomedical Research Program Prior Audit Follow-Up

No.	Finding	Recommendation	Management Response	Corrective Action Plan
2	<p>Program grant applications and agreements could be enhanced to specify that grant recipients are to adhere to the policies and procedures outlined in the Department's Grant Administration Manual. In addition, the Department did not always ensure that Program grant agreements were properly reviewed and approved prior to execution. Similar instances were noted in our report No. 2014-025.</p>	<p>We recommend that Department management revise the standard Program grant applications and agreements to specifically require recipients to adhere to the Manual and ensure that Program grant agreements are properly reviewed and approved prior to execution.</p>	<p>We concur.</p>	<p>In Progress. Projected Completion Date - February 1, 2016.</p> <p>Program staff will edit the Terms of grants for new grant awards to include language that requires grant recipients to adhere to the <i>Grant Manual</i>. Once edits are approved with the Office of General Counsel, the <i>Grant Manual</i> will be sent electronically with the Terms. This process will be effective for the next round of grant awards, which will be approximately February 2016.</p> <p>Templates for the Terms have been pre-approved in writing by the Office of General Counsel before they are sent to grant recipients. Program staff include this approval when the Terms are routed for internal signature and documented in the grant file. This process began during the last funding competition and will continue for future funding competitions.</p>
3.1	<p>As similarly noted in our report No. 2014-025, Department controls did not always ensure the accurate recording of Program expenditures. Additionally, Department controls were not always adequate to ensure that Program invoices were timely paid.</p>	<p>We recommend that Department management enhance procedures to ensure the accurate coding of Florida Accounting Information Resource (FLAIR) expenditure transactions, in compliance with the Department of Financial Services' guidance.</p>	<p>We concur.</p>	<p>In Progress. Projected Completion Date – September 15, 2015.</p> <ol style="list-style-type: none"> The Bureau of Finance and Accounting's Disbursements section is providing Prompt Payment and Date Stamp training to Program staff to ensure invoices are submitted to the Disbursements section in a timely manner for processing. The training is scheduled for August 25, 2015. The Bureau of Finance and Accounting's Travel section will be provided training on the proper use of out-of-state versus in-state object codes. The training will be conducted by the Travel section's supervisor and is scheduled for August 27, 2015. The Bureau of Finance and Accounting's Contracts section will be provided additional training on Prompt Payment, and the proper use of transaction dates to ensure all contract invoice payment dates are correctly recorded. The training will be conducted by the Bureau's Quality Assurance section and is scheduled for August 28, 2015.

No.	Finding	Recommendation	Management Response	Corrective Action Plan
3.2	<p>As similarly noted in our report No. 2014-025, Department controls did not always ensure the accurate recording of Program expenditures. Additionally, Department controls were not always adequate to ensure that Program invoices were timely paid.</p>	<p>We recommend that Department management take steps to ensure that all Program payment documentation is timely approved in accordance with Department policies and procedures.</p>	<p>We concur.</p>	<p>Completed.</p> <p>Program staff have taken action to ensure invoices are processed timely in accordance with Department policies and procedures:</p> <ul style="list-style-type: none"> • Date stamping of all deliverables and invoices was implemented in April 2015. • After review of deliverables and invoices, should any corrections be needed, Program staff contacts the grantee in writing with required revisions before payment can be processed. Once revised deliverables and invoices are received, they are date stamped and the invoice is processed for payment in accordance to Department policies and procedures. The e-mail correspondence to the grantee will be attached as supporting documentation with the invoice packet. • A new internal <i>Invoice Review Routing Form</i> was created in July 2015. This form is used to ensure all Program payment documentation is timely approved in accordance with prompt payment policies and procedures. The form reflects the number of invoices for review, date invoices were received, and prominently displays the latest date the invoice and deliverables must be approved by in order to meet prompt payment requirements. • Program staff will attend a training on prompt payment compliance conducted by the Department's Bureau of Finance and Accounting on August 25, 2015.