



# AUDITOR GENERAL

## WILLIAM O. MONROE, CPA



### DEPARTMENT OF HEALTH

### CONTRACT MANAGEMENT

#### Operational Audit

#### SUMMARY

Our audit of contract management focused on activities and transactions for the period July 2004 through January 2006, and selected actions taken through June 7, 2006. Our audit disclosed:

**Finding No. 1:** The Department's procedures were not effective in reasonably ensuring the recertification of contract managers and the monitoring of contract manager workload.

**Finding No. 2:** When procuring contractual services, the Department did not always maintain documentation supporting its procurement decisions, improperly applied statutory competitive procurement exemptions in some instances, and in other instances, used contract amendments improperly to significantly change the scope of goods and services contemplated in original contracts.

**Finding No. 3:** Contract disbursements were sometimes made without receipt and approval of deliverables. Additionally, contrary to Department policy, contract disbursements were recorded in the Florida Accounting and Information Resource Subsystem (FLAIR) without the corresponding contract number.

**Finding No. 4:** Several contracts received little or no programmatic or administrative monitoring.

**Finding No. 5:** Significant deficiencies relating to contract procurement, disbursement, and monitoring were identified for a contract between the Department and the University of South Florida.

#### BACKGROUND

The Department of Health is responsible for the State's public health system and, as such, is authorized to provide a variety of services to the citizens of Florida. Services are provided both directly by the Department and indirectly through contractors. In order to safeguard State assets, acquiring contracted services necessitates management to competitively procure services, appropriately award contracts, and effectively monitor contracts to ensure that contractors appropriately perform services. As of January 23, 2006, the Department was responsible for administering 1,414 contracts under which related obligations totaled approximately \$1 billion.

To oversee and monitor contractual activities, the Department has established two offices. Contract Administration (CA) is housed within the Division of Administration, Bureau of General Services. CA is primarily responsible for the distribution, maintenance, revision, and approval of all new contracts and contract modifications. CA also performs contract manager file reviews to ensure necessary documentation is maintained in the contract file and to minimize administrative monitoring time at provider's locations.

The Contract Administration Monitoring Unit (CAM) is housed within the Division of Administration, Bureau of Finance and Accounting. CAM was established in 2005 to strengthen and increase the Department's fiscal monitoring efforts related to

contractual services. CAM is primarily responsible for fiscal reviews, audit report reviews, and coordination of Florida Single Audit Act activities for those contracts where the Department has a grant relationship. Both CA and CAM provide training workshops for contract managers, fiscal managers, contract coordinators, supervisors, and contract administrators.

Contract managers, fiscal managers, contract coordinators, supervisors, and contract administrators are located within the Department's program offices and county health departments and do not report to CA or CAM. While administrative monitoring is performed by CAM and contract file reviews are performed by CA, programmatic monitoring is performed by the contract manager.

The Department's Contract Management System for Contractual Services Policy sets forth contract file documentation requirements. The procurement file is to contain documentation, such as proof of legal advertising, selection team evaluations of potential contractors, conflict of interest questionnaires for individuals participating in the selection process, and the notice of award. The contract file is to contain documentation such as the signed contract, monitoring and evaluation reports, amendments, contract renewals, payment activity logs, cost or price analyses; and if the purchase is exempt from the competitive purchasing process, appropriate documentation justifying the exemption.

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### FINDINGS AND RECOMMENDATIONS

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Our audit included a review of the Department's policies and procedures related to contract management and included testing of 20 contracts for services totaling approximately \$178 million. For 15 of these contracts, deficiencies in procurement, payment, or monitoring were observed and are noted in Finding Nos. 2 through 5. See also Appendix A which provides for each of these 15 contracts, a description, as well as, a summary of findings.

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### Finding No. 1: Contract Administration

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To reasonably ensure the effectiveness of the Department's contract administration efforts, written policies and procedures should be in place and periodic training in the application of these policies and procedures should be provided to applicable Department personnel. Further, management should monitor the performance of contract managers, including consideration of each manager's workload.

Absent such a framework, deficiencies can occur in the management of contracts, and these deficiencies can lessen the Department's ability to ensure the required services are provided in a manner conforming to contract terms and conditions. Based on our inquiries of Department personnel, including contract managers, the following was disclosed:

- It is the Department's policy that contract managers and contract coordinators receive recertification training every two years on current Department contract practices and procedures. Our interviews and reviews of training documentation of 21 contract managers and 6 contract coordinators disclosed that 3 contract managers and 1 contract coordinator did not receive recertification within two years. The Department indicated that these contract managers and coordinators received, subsequent to our inquiries, recertification training.
- Due to the number of contracts assigned, contract managers indicated that they had difficulty providing adequate oversight for each contract. Our review of contracts assigned to 21 contract managers disclosed that 6 (29 percent) were assigned 12 or more contracts, direct orders, and other contract management responsibilities. We found that one contract manager had been assigned responsibility for 125 contracts.

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**Recommendation:** We recommend the Department implement measures to ensure that contract managers and coordinators are recertified within established time frames. We also recommend that the Department review the workloads of its contract managers and reassign

**contracts as necessary to ensure efficient and effective contract management.**

**Finding No. 2: Contract Procurement**

Section 287.057, Florida Statutes, requires that, unless otherwise authorized by law, all contracts for the purchase of commodities or services in excess of Category Two (\$25,000) shall be awarded by competitive sealed bid. Section 287.057, Florida Statutes, further provides that an agency may use alternate methods of contractor selection when the agency has determined in writing that competitive procurement is not practicable or will not result in the best value to the State.

Our review of 20 contracts and supporting documentation in the Department's procurement and contract files disclosed the following:

- Health services are defined by statute as those involving examination, diagnosis, treatment, prevention, medical consultation, or administration. Two contracts (Contract Nos. COBCV and COBHG) totaling approximately \$1.9 million were procured noncompetitively utilizing a health services exemption outlined in Section 287.057(5)(f)6, Florida Statutes. Goods and services provided under these contracts included personal protective and decontamination equipment training; terrorist event simulations; and various equipment and supplies for communications, laboratories, intensive care, and burn treatment. The Department indicated that these contracts were properly exempted since they were for prevention. However, as the statutory exemption applies only to health services, not equipment, and as Department records did not provide documentation justifying the classification of bioterrorism training as a prevention activity, these contracts should have been awarded using competitive procurement processes.

Additionally, our review of these two contracts (Contract Nos. COBCV and COBHG) disclosed that the contracts, initially totaling approximately \$511,000, were significantly amended to purchase additional equipment and services. The amendments increased the total contract amounts to

approximately \$1.9 million, an increase of 267 percent. It was not clear why these additional services could not have been purchased competitively, rather than through contract amendment. Amendments added burns equipment and supplies, training for equipment use and storage of trauma cart equipment, terrorist event simulations, communications equipment, training for operating personal protective and decontamination equipment, training for operating and maintaining laboratory equipment and processing specimens, and training for ventilator use and maintenance.

- The Department's contract policy requires that for noncompetitive procurements, cost or price analyses be included in contract files. A cost analysis includes a review of the potential provider's cost elements to determine their appropriateness and reasonableness, whereas a price analysis includes an evaluation of the prospective price and proposed profit of the potential provider.

In accordance with Department procedure, seven contracts (Contract Nos. COQJR, COQJZ, COQKD, COQKE, COALP, COBU9, and CO0E9) totaling approximately \$40 million contained Cost or Price Analysis Forms; however, the forms were insufficient to document the Department's evaluation of the reasonableness of the contract price:

- For two contracts (Contract Nos. COBU9 and CO0E9), the Analysis stated that the proposed price was consistent with that of other training programs or consistent with previous contracts. However, there was no evidence to support that a comparison of the proposed prices to those of other Department training contracts or prior contracts had been conducted in order to arrive at that determination.
- For one contract (Contract No. COALP), the Analysis indicated that three of the four cost comparisons required by the Cost or Price Analysis Form were not applicable and that proposed costs were reasonable and at or below market price. However, there was no documentation to support any determination of the reasonableness or market price of the service.

- For four contracts (Contract Nos. COQJR, COQJZ, COQKD, and COQKE), the Analysis indicated that proposed costs were reasonable and at or below market price; however, there was no documentation to support any determination of the reasonableness or market price of the service.
- For one contract (Contract No. BW806) totaling \$77,800, the conflict of interest questionnaire was signed; however, the questions to ascertain if a conflict of interest existed were not answered by the contract coordinator. The Department indicated this was an oversight.
- Eight contracts (Contract Nos. COQJR, COQJZ, COQKD, COQKE, COALP, COBCV, COBHG, and COBU9) totaling approximately \$39 million that were acquired noncompetitively did not contain documentation of an evaluation of potential contractors or the basis used in selecting the contractors, including whether the contractor’s past performance was considered as part of the selection process. Department responses indicated that no evaluation of potential contractors or past contractor performance was conducted as it was not required for noncompetitively awarded contracts, and that changing providers would have been disruptive to families and the program. However, without documentation of the consideration of other potential contractors or including their past performance, the Department is unable to ensure that contracts are awarded to the most qualified contractors.
- One contract (Contract No. CO0E9) totaling approximately \$540,000 was amended by the Department, increasing the total contract amount to approximately \$2 million. However, the amendment was signed prior to review by the Department’s CA, legal, and budget offices. Without ensuring that appropriate reviews are conducted prior to signing, the Department could enter into an amendment that is not legally sufficient or for which the Department has inadequate funds to make payment.
- Seven contracts (Contract Nos. COQJR, COQJZ, COQKD, COQKE, COALP, CO0E9, and COHSM) totaling approximately \$47 million included reimbursement rates for

administrative costs. There was no documentation to support how the administrative reimbursement rate was determined.

- One contract (Contract No. CO0E9) totaling approximately \$2 million included a performance bonus of 2.5 percent of salaries, benefits, and expenses for providing the deliverables established in the contract. It was not clear why meeting the minimum requirements of the contract would justify the payment of a performance bonus.

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**Recommendation: We recommend the Department update policies and procedures and provide training and guidance for:**

- The appropriate use of exemptions to State competitive procurement laws and rules,
- The purpose and appropriate documentation of cost and price analyses,
- The completion of conflict of interest questionnaires,
- The evaluation of potential contractors and consideration of the past performance of contractors for noncompetitively procured services,
- The review of contracts to ensure that they are fully reviewed by Department personnel prior to execution,
- The appropriate use of amendments, and
- Appropriate methods for determining the reasonableness of administrative cost rates.

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**Finding No. 3: Contract Payments**

An important internal control is the review of contractor invoices to ensure that the services invoiced were received and that amounts invoiced are in accordance with the terms of the contract. Department procedures require contract managers to review and approve contractor invoices and applicable deliverables prior to payment. However, our review of 41 payments made for the contracts reviewed disclosed the following:



- For six contract payments (Contract Nos. COQJR, COQJZ, and COQKD) totaling approximately \$1.6 million, the required quarterly reports (a contract deliverable) were not received and verified prior to payment. The Department indicated that the reports were delivered to a consultant and not the contract manager and that future contract language will be revised so that the contract manager receives copies of the quarterly reports.
- For one payment (Contract No. COHSM) totaling \$548,914, the deliverable was received and payment made for the associated services. The deliverable, however, contained a significant omission. The contract manager notified the contractor 39 days after receipt of the deliverable and the corrected report was received 3 days later.
- While it is the Department's policy that the contract number be entered in the FLAIR expenditure record, our review of expenditures recorded in FLAIR for the 20 sampled contracts disclosed that the contract number was not included in the FLAIR payment records for any of the payments made for one contract (Contract No. DV502) and for some of the payments made on several of the other contracts. Including the contract number in the FLAIR record provides a mechanism for ensuring that contract payments do not exceed the contract amount.

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**Recommendation:** We recommend the Department provide additional instructions and training to ensure that deliverables are received and approved prior to the authorization of a contract payment. Additionally, we recommend the Department ensure that contract numbers are consistently recorded in the FLAIR expenditure record so that FLAIR may be used by management to monitor and report on contractual obligations.

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#### **Finding No. 4: Contract Monitoring**

Effective contract administration includes the monitoring of contractors to determine compliance with contractual provisions and provides a means for early detection of potential performance problems. Our review of the Department's monitoring procedures, monitoring instruments, and

documentation associated with contract monitoring disclosed:

- According to Department policy, programmatic monitoring is accomplished through a combination of reviews of reports and other documentation; input from service recipients, subcontractors, and Department field staff; and a visit to the site of service delivery. Of the 20 contracts reviewed, six contracts (Contract Nos. LEO96, DO283, COALP, COBB9, COBU9, and COOE9) totaling approximately \$10 million received little or no on-site programmatic monitoring. In these instances monitoring was performed via conference calls or reviews of reports, and in other instances a modified CA monitoring instrument was utilized that did not include the date the monitoring was performed or the time period for which the monitoring was conducted.
- As discussed in the BACKGROUND section, CAM is responsible for conducting administrative monitoring of Department contractors with recipient or subrecipient relationships (i.e., grant relationship). As of June 7, 2006, CAM had completed administrative monitoring visits for only 6 of the 50 providers (12 percent) that were scheduled for an on-site monitoring visit during the 2005-06 fiscal year.
- The Department did not have available a listing of contracts that identified whether a vendor or grant relationship existed. Absent such information the Department cannot readily identify all contracts and providers that, as recipients or subrecipients, require administrative monitoring. During the audit period, the Department had in effect approximately 1,414 contracts valued at approximately \$1 billion.

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**Recommendation:** To ensure effective contract management through programmatic and administrative monitoring, we recommend the Department monitor contract management activities to ensure that programmatic monitoring is conducted as required by Department policy and that administrative monitoring is conducted for high risk contractors. To assist in these efforts, the Department should maintain records that readily identify the type of relationship, either grant or vendor, for each contract.

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### Finding No. 5: University of South Florida Contract

The Department entered into a contract totaling \$621,353 with the University of South Florida, Board of Trustees (Contract No. COALP), for services such as clinical training for individuals working in the areas of sexually transmitted diseases and reproductive health, as well as a syphilis hotline. In Finding Nos. 2 and 4, this contract is cited with respect to matters involving the absence of a Cost or Price Analysis form, the absence of an evaluation of potential contractors, the lack of documentation supporting administrative reimbursement rates, and the lack of programmatic monitoring. In addition, our audit disclosed the following issues.

- Department policy requires conflict of interest forms for each selection team member to ensure that no member has a conflict that would interfere in the selection of a provider. The conflict of interest forms observed in the contract file contained the typed names of selection team members, but they were unsigned. Subsequent to audit inquiry, a form containing signatures was provided. The form provided contained, in one instance, the signature of a selection team member not shown by the form included in the contract file. Furthermore, one of the selection team members, who signed the form attesting to the absence of a conflict of interest, did in fact have a conflict of interest as the member was a University representative.
- A memorandum of negotiation is a required document signed by the Department and University detailing all points discussed and agreed to during negotiations. The memorandum must also accompany the contract when routed for Department review. While the memorandum in the contract file provided to us reflected services to be provided in the contract, it was not signed by either the Department or the University. Upon inquiry, the Department provided a different memorandum that was signed in 1999 by the Department's representative, but not by a University representative. The 1999 memorandum generally described the history of the training course funding and the University as the training provider.

➤ Pursuant to the terms of the contract, the Department paid \$24,000 for telephone case management to private and public health providers for syphilis elimination consultations. Our review disclosed:

- The phone lines needed for the hotline were provided by the Department. Hotline usage for the 22-month period April 2004 through January 2006, consisted of only 46 calls.
- Contract terms required the Department to conduct biannual audits of the service invoices, however, no audits were conducted during the past two years. In response to our inquiries, the Department indicated that the previous service audits had included discussions with the provider regarding hotline usage. As a result, the Department was not aware of the limited utilization of the hotline.

The Department responded that due to low utilization of the hotline, it will not be included in future contracts.

- A payment totaling \$22,000 for the Strategic Planning Committee Meeting held July 30, 2004, in Key West, Florida, was made without the required sign-in sheets. Further, the invoice requesting payment was submitted by the contractor in November 2004 even though contract terms state that the contractor was to request payments on a monthly basis. Payment for the invoice was approved by the Department in February 2005. The Department indicated that the decision to allow the late payment was due to University personnel on leave, also other documentation (such as the budget and hotel reservation listing) was relied on rather than the required roster.
- Programmatic monitoring was not conducted for this contract. The contract manager's supervisor indicated, during interview, that the contract manager was not required to perform programmatic monitoring as staff was not qualified to adequately monitor the types of services provided. The supervisor indicated that she had conducted site visits and that no documentation of the visits had been maintained. In response to our inquiries, the Department provided a newly established monitoring tool developed by the Bureau that may be used to document future site visits.

Absent appropriate supervision and management of Department contracts, the Department is unable to ensure that conflicts do not exist for involved parties privy to service procurement, that services provided are commensurate with amounts paid, and that conforming services are provided.

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**Recommendation:** To ensure adequate service procurement, disbursement, and evaluation, we recommend the Department closely monitor the management of contract COALP so that adequate and effective oversight is provided.

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#### **OBJECTIVES, SCOPE, AND METHODOLOGY**

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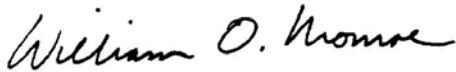
The overall objectives related to our audit of contract administration were to obtain an understanding of internal controls and make judgments as to the effectiveness of those internal controls and to evaluate management's performance in achieving compliance with controlling laws, administrative rules, and other guidelines; the economic, efficient, and effective operation of the Department's contract management; the validity and reliability of records and reports; and the safeguarding of assets.

The scope of this audit focused on 1) the overall organization of the contract management function, 2) qualifications and workloads of contract managers, 3) execution of contracts, 4) the use of statutory exemptions, 5) contract disbursements, and 6) contract monitoring.

In conducting our audit, we interviewed Department personnel, observed processes and procedures, and completed various analyses and other procedures as determined necessary. Our audit included examinations of various transactions (as well as events and conditions) occurring during the period July 2004 through January 2006, and selected actions taken through June 7, 2006.

**AUTHORITY**

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.



William O. Monroe, CPA  
Auditor General

**MANAGEMENT RESPONSE**

In a letter dated November 29, 2006, the Secretary provided responses to our findings. The letter is included in its entirety at the end of this report as Appendix B.

To promote accountability in government and improvement in government operations, the Auditor General makes operational audits of selected programs, activities, and functions of State agencies. This operational audit was conducted in accordance with applicable **Generally Accepted Government Auditing Standards**. This audit was conducted by Cheryl B. Jones, CPA, and supervised by Lisa Norman, CPA. Please address inquiries regarding this report to Jane Flowers, CPA, Audit Manager, via E-mail at [janeflowers@aud.state.fl.us](mailto:janeflowers@aud.state.fl.us) or by telephone at (850) 487-9136.

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



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APPENDIX A

Department of Health  
 Contract Summary  
 July 1, 2004, through January 31, 2006

Contract #	Vendor	Contracted Services	Contract Amount	State Funding	Federal Funding Amount	CFDA No. *	Included in Finding		
							No. 2 Contract Procurement	No. 3 Contract Payments	No. 4 Contract Monitoring
<b>Broward County Health Department</b>									
BW806	Sterilization Services, Inc.	Family planning services	\$ 77,800	\$ -	\$ 77,800	93.217	✓		
<b>Duval County Health Department</b>									
DV502	University of Florida-Jacksonville	Physicians services	5,907,278	5,907,278	-			✓	
<b>Lee County Health Department</b>									
LE096	Family Health Centers of SW Florida	Comprehensive primary health care services	1,799,820	1,799,820	-				✓
<b>Division of Children's Medical Services</b>									
COQJR	Children's Diagnostic & Treatment Center	Broward County Early Steps Program	13,762,902	10,371,464	2,868,423 523,015	84.181 93.558	✓	✓	
COQJZ	University of Florida-Jacksonville	Jacksonville Early Steps Program	8,745,351	6,590,333	1,822,679 332,339	84.181 93.558	✓	✓	
COQKD	All Children's Hospital, Inc.	St. Petersburg Early Steps Program	6,965,757	5,249,264	1,451,782 264,711	84.181 93.558	✓	✓	
COQKE	University of South Florida-Board of Trustees	Tampa Early Steps Program	7,017,852	5,246,164	1,498,465 273,223	84.181 93.558	✓		
<b>Division of Disability Determinations</b>									
DO283	Pitney Bowes Management Services	Mail services	4,500,000	-	4,500,000	96.001			✓
<b>Division of Disease Control</b>									
COALP	University of South Florida	USF Prevention/Training Center	621,353	-	621,353	93.116	✓	✓	✓
COBB9	Brunet-Garcia Advertising, Inc.	Immunization promotion campaign	1,000,000	-	1,000,000	93.283			✓
<b>Division of Emergency Medical Operations</b>									
COBCV	Orlando Regional Healthcare System	Hospital disaster preparedness	857,381	-	857,381	93.003, 93.889	✓		
COBHG	Public Health Trust of Dade County	Hospital disaster preparedness	1,019,020	-	1,019,020	93.003, 93.889	✓		
COBU9	University of Miami	Behavioral health training	460,000	-	460,000	93.889	✓		✓
<b>Division of Environmental Health</b>									
COOE9	University of Florida	Staffing services	1,985,077	-	1,985,077	93.283	✓		✓
<b>Division of Family Health Services</b>									
COHSM	United Group Programs, Inc.	Breast & cervical cancer early detection	8,133,960	-	8,133,960	93.283	✓	✓	
			\$ 62,853,551	\$ 35,164,323	\$ 27,689,228				

Source: Department of Health FLAIR records, contracts and contract files.

\* CFDA = Catalog of Federal Domestic Assistance

APPENDIX B  
MANAGEMENT RESPONSE



Job Bush  
Governor

M. Rony François, M.D., M.S.P.H., Ph.D.  
Secretary

November 29, 2006

Mr. William O. Monroe, C.P.A.  
Auditor General  
Room G74, Claude Pepper Building  
111 West Madison Street  
Tallahassee, FL 32399-1450

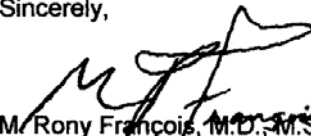
Dear Mr. Monroe:

This letter is in response to your November 3, 2006 correspondence regarding the preliminary and tentative findings of your report entitled, *Operational Audit of Contract Management*. The agency's response and corrective action plans to your findings and recommendations may be found in the enclosed document.

We appreciate the work of your staff and will diligently pursue appropriate resolution to the findings.

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

Sincerely,

  
M. Rony François, M.D., M.S.P.H., Ph.D.  
Secretary, Department of Health

MRF/kir  
Enclosure

Contract Management

Para. # **Finding:** **Recommendation:** **Management Response:** **Corrective Action Plan:**

1	The Department's procedures were not effective in reasonably ensuring the recertification of contract managers and the monitoring of contract manager workload.	We recommend the Department implement measures to ensure that contract managers and coordinators are recertified within established time frames. We also recommend that the Department review the workloads of its contract managers and reassign contracts as necessary to ensure efficient and effective contract management.	The department will modify its procedures of tracking contract management training to ensure that contract managers are recertified every two years as required by policy. Additionally, the department will work closely with the program offices to review and assess the workload of contract managers. In instances where the workload is deemed unreasonable, contracts will be reassigned to ensure efficiency.	1) Review current procedures for tracking contract managers re-certification training and modify to ensure appropriate tracking of contract management re-certification status. 2) Identify program areas in which the ratio of contract manager to contracts seems unreasonable and could affect the ability of the contract manager to perform effectively and efficiently. Reassign as needed.
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**Corrective Action Plan:**

**Management Response:**

**Recommendation:**

**Para. # Finding:**

<p>2</p> <p>When procuring contractual services, the Department did not always maintain documentation supporting its procurement decisions, improperly applied statutory competitive procurement exemptions in some instances, and in other instances, used contract amendments improperly to significantly change the scope of goods and services contemplated in original contracts.</p>	<p>The department will update its contract management policy and procedures on contract documentation requirements and provide specific training on maintaining complete contract documentation, i.e., Cost/Price analysis, Memo of Negotiations, Conflict of Interest, etc. In addition, the department will ensure that contract managers adhere to the department's contract/amendment and review process prior to contract execution.</p>	<p>We recommend the Department update policies and procedures and provide training and guidance for:</p> <ul style="list-style-type: none"> <li>* The appropriate use of exemptions to State competitive procurement laws and rules,</li> <li>* The purpose and appropriate documentation of cost and price analyses,</li> <li>* The completion of conflict of interest questionnaires,</li> <li>* The evaluation of potential contractors and consideration of the past performance of contractors for noncompetitively procured services,</li> <li>* The review of Contracts to ensure that they are fully reviewed by Department personnel prior to execution,</li> <li>* The appropriate use of amendments, and</li> <li>* Appropriate methods for determining the reasonableness of administrative cost rates.</li> </ul>	<p>1) Update 7sAPM2 (Contract Management System for Contractual Services) to include specific segments on contract documentation requirements. Develop and present selected issues workshop on completing and maintaining contract documents.</p> <p>2) Issue contract management system update on the importance of the contract review and execution process and the role of each office during the review process.</p>
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**Para. # Finding:**

**Recommendation:**

**Management Response:**

**Corrective Action Plan:**

- 1) Continue to emphasize and highlight the requirement of adhering to the terms and conditions of the contract before making payments at existing trainings and workshops.
- 2) Provide special training to the Fiscal staff at the Duval County Health Department regarding proper and consistent recording of contract expenditures in FLAIR, using the department approved standards for contract numbering.

The department recognizes the importance of ensuring the receipt of deliverables prior to making payment. Training and guidance will be provided to ensure that deliverables are received before making payment as required by the terms and conditions of the contract. Additionally, the department will provide guidance to staff to ensure all contracts are properly recorded in FLAIR, using the department approved contract numbers.

We recommend the Department provide additional instructions and training to ensure that deliverables are received and approved prior to the authorization of a contract payment. Additionally, we recommend the Department ensure that contract numbers are consistently recorded in the FLAIR expenditure record so that FLAIR may be used by management to monitor and report on contractual obligations.

Contract disbursements were sometimes made without receipt and approval of deliverables. Additionally, contrary to Department policy, contract disbursements were recorded in the Florida Accounting and Information Resource Subsystem (FLAIR) without the corresponding contract number.

- 1) The department will develop and implement procedures to ensure the monitoring and tracking of the programmatic monitoring function by contract managers.
- 2) The department will ensure that high-risk providers are monitored accordingly.
- 3) The department will modify its criteria and standards and include a field for vendor/subrecipient.

The department will continue to emphasize the importance of programmatic monitoring at training workshops and conferences and monitor to ensure programmatic monitoring is conducted as required by policy. Also, the department will ensure that administrative monitoring is conducted for high-risk providers as determined by the Administrative Monitoring Risk Assessment Tool. With respect to administrative monitoring, during the audit period, the department conducted over 80 on-site administrative monitoring reviews. While the CAM Unit only conducted 9 on-site monitoring reviews, the CAM Unit was newly created and only partially staffed during the audit period. Through June 2006, the CAM Unit revamped the department's administrative monitoring processes and developed and presented numerous specialized training sessions to department staff. Changes to state law also resulted in the CAM Unit assuming responsibility for reviewing all Single Audits received by the department (273 through June 2006), a responsibility previously conducted by the department's contract managers. Notwithstanding this, the CAM Unit is now fully staffed, has previously identified high-risk providers through its risk assessment tool, and is prioritizing its on-site administrative monitoring activities of those providers.

To ensure effective contract management through programmatic and administrative monitoring, we recommend the Department monitor contract management activities to ensure that programmatic monitoring is conducted as required by Department policy and that administrative monitoring is conducted for high risk contractors. To assist in these efforts, the Department should maintain records that readily identify the type of relationship, either grant or vendor, for each contract.

Several contracts received little or no programmatic or administrative monitoring.

**Para. # Finding:**

**Recommendation:**

**Management Response:**

**Corrective Action Plan:**

- 5 Significant deficiencies relating to contract procurement, disbursement, and monitoring were identified for a contract between the Department and the University of South Florida.
- To ensure adequate service procurement, disbursement, and evaluation, we recommend the Department closely monitor the management of contract COALP so that adequate and effective oversight is provided.
- The department will continue to monitor the management of this contract and future contracts between the program and provider to ensure that proper oversight is provided and ensure that the provider adheres to the terms and conditions of the contract.
- Monitor and work with the Sexually Transmitted Disease program and follow-up monthly on the management of contracts by the program.

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