



# AUDITOR GENERAL

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## AGENCY FOR PERSONS WITH DISABILITIES ADMINISTRATIVE ACTIVITIES AND CONTRACT MANAGEMENT Operational Audit

### SUMMARY

This operational audit of the Agency for Persons with Disabilities (Agency) focused on the Agency's administrative activities. Our audit covered the period of July 2005 through February 2007, and selected actions since creation of the Agency in October 2004 through March 2008.

#### Administrative Activities

##### Interagency Agreement

**Finding No. 1:** Improvement was needed in defining the terms of the interagency agreement between the Agency and the Department of Children and Family Services (DCFS).

**Finding No. 2:** The Agency made payments to DCFS which exceeded the amount specified in the Information Technology Service Level Agreement for the 2006-07 fiscal year.

##### Organizational Structure

**Finding No. 3:** Contrary to governing statute, the Agency did not always obtain the approval of the Executive Office of the Governor prior to making changes in its organizational structure.

##### Position and Salary Rate Report

**Finding No. 4:** The Agency did not submit to the Legislative Budget Commission required quarterly reports concerning positions and salary rates.

##### Home and Community-Based Services Program

**Finding No. 5:** Improvements were needed in the Agency's procedures for the preparation of quarterly reports on the financial status of the Home and Community-Based Services Program.

**Finding No. 6:** Improvements were needed in the Agency's follow-up on deficiencies reported in

quality assurance reviews of direct service providers and waiver support coordinators.

##### Reconciliation Process

**Finding No. 7:** The Agency did not perform periodic reconciliations between the State's general ledger accounting system (FLAIR) and the system used to plan and manage services for individuals with developmental disabilities.

##### Tangible Personal Property

**Finding No. 8:** Instances of missing tangible personal property, such as computers and printers, were not timely investigated.

##### Contract Administration and Monitoring

**Finding No. 9:** The Agency did not maintain a complete and accurate listing of all contracts and related expenditures.

**Finding No. 10:** The Agency had not developed written policies and procedures related to contract management.

**Finding No. 11:** Deficiencies in the overall contract management framework and in the communication between the Agency and contract management staff were identified.

**Finding No. 12:** Agency contract management staff reported deficiencies in job-related training.

**Finding No. 13:** Improvements were needed with regard to the monitoring of the Agency's contracts.

### BACKGROUND

The Agency for Persons with Disabilities' mission is to support persons with developmental disabilities in living, learning, and working in their community. Chapter 2004-267, Laws of Florida, created the Agency, to be housed for administrative purposes

only, within the Department of Children and Family Services (DCFS). The head of the Agency is the Director, who is appointed by the Governor, subject to confirmation by the Senate. The Directors who served the Agency since inception are as follows:

Table 1

Agency Directors and Dates of Service

Director	Dates of Service
Michelle "Shelly" Brantley	October 2004 - January 2007
Barney Ray (Interim Director)	January 2007 - April 2007
Jane Johnson	April 2007 - May 2008

Upon creation of the Agency, effective October 1, 2004, the Developmental Disabilities (DD) Program and the developmental services institutions (DSIs) were transferred to the Agency from DCFS. However, since the resources for some of the administrative functions were not transferred, the Agency continued to need administrative and operational support from DCFS. Thus, Chapter 2004-267, Laws of Florida, required that the Agency enter into an interagency agreement with DCFS for the provision of the necessary day-to-day administrative and operational needs of the Agency. In addition, the law indicated that this interagency agreement should continue until the Agency no longer requires the provision of services through such an agreement.

The Agency's organizational structure is decentralized, consisting of 14 Area Offices, 4 DSIs, and a Central Office in Tallahassee.<sup>1</sup>

**FINDINGS AND RECOMMENDATIONS**

**Finding No. 1: Interagency Agreement**

The Agency entered into an interagency agreement with DCFS effective October 1, 2004 (amended January 2005), for administrative and operational support. During our audit, we evaluated the framework of the interagency agreement by interviewing various DCFS and Agency staff, reviewing existing policies and procedures, examining selected transactions, and performing various other analyses.

<sup>1</sup> The DSIs were the Gulf Coast Center in Fort Myers, Tacachale Center in Gainesville, Sunland Center in Marianna, and the Mentally-Retarded Defendant Program housed within DCFS' Florida State Hospital in Chattahoochee.

In the interagency agreement, the duties of the DCFS were listed in five brief paragraphs. Specific terms or deliverables relating to the areas of support were not further defined in writing, with the exception of the Information Technology (IT) Service Level Agreement, discussed in finding No. 2. As a result of undefined expectations and unclear delineations of responsibility, there were indications of breakdowns in communication, as well as dissatisfaction regarding the division of responsibility between the Agency and DCFS. (For specific issues regarding the interagency agreement, refer to findings No. 11, 12, and 13.)

During our audit, we also reviewed responses from Agency and DCFS staff to surveys conducted in February and March 2007. The surveys were conducted by both DCFS and the Agency and related to the services provided by DCFS to the Agency. Survey responses from Agency staff indicated dissatisfaction with the services received from DCFS in the areas of training, information technology services, contract management and administration, background screening services, and general support services. Survey responses from DCFS staff expressed concerns with workload issues.

In March 2008, Agency staff indicated they were continuing to work with DCFS in drafting a revised interagency agreement.

**Recommendation: The Agency should ensure the interagency agreement has complete and clearly defined terms and conditions, which to the extent possible, address the service level and quality concerns expressed by staff of both agencies.**

**Finding No. 2: Information Technology Services - Service Level Agreement**

As part of the interagency agreement between the Agency and DCFS, a Service Level Agreement (SLA) was developed relating to the Information Technology Services provided by DCFS. The SLA was developed to set a baseline of services offered, to establish the expectations for those services, and to define the respective roles and responsibilities for the Agency and DCFS.

The SLA provided that the total costs incurred by the Agency were not to exceed the amount included in the General Appropriations Act, unless the SLA was jointly renegotiated and amended. Additionally, services not outlined in the SLA (i.e., major

enhancements or issues not originally included in the cost estimates) were to be renegotiated and either an amendment to the agreement or a separate service agreement developed. For the 2006-07 fiscal year, the total agreement amount was \$1,237,743.

We noted that the amounts paid during the 2006-07 fiscal year exceeded the SLA limit, and no amendments to address the excess were negotiated. Specifically, the July 2006 through March 2007 invoices paid by the Agency to DCFS totaled \$1,454,313, or \$216,570 more than the agreement amount for the 2006-07 fiscal year. At the time of our initial inquiry, Agency staff indicated DCFS' estimate of the amounts due for the remainder of the year was an additional \$289,510. Subsequently, Agency staff reported that DCFS had forgiven the April through June 2007 invoices.

Agency staff indicated that the Agency and DCFS had begun updating a new SLA for the 2007-08 fiscal year. However, as of March 2008, the new SLA had not been finalized and the Agency and DCFS were still operating under the 2006-07 fiscal year SLA. Absent the timely negotiation of a SLA that covers all necessary services and costs, the Agency has reduced ability to set a budget and control its information technology costs.

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**Recommendation: The Agency should negotiate timely amendments to the Information Technology Service Level Agreement with DCFS.**

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### **Finding No. 3: Organizational Structure**

Section 20.197(2), Florida Statutes, provides that the Director of the Agency may recommend the establishment of additional divisions, bureaus, sections, and subsections of the Agency in order to promote efficient and effective operation of the Agency. Pursuant to Section 20.04(7)(b), Florida Statutes, the Director's recommendation is to be submitted for the review and recommendation of the Department of Management Services (DMS) and approval of the Executive Office of the Governor (EOG).

Our audit disclosed that the Agency made changes to its organizational structure after obtaining the

recommendation of DMS, but without the approval of EOG. Specifically, in July 2005, the Agency submitted a request (via DCFS) to establish three new bureaus within its Division of Budget and Planning, and reassign nine positions to the new bureaus. The Agency received a recommendation from DMS in August 2005 and implemented the requested changes during the 2005-06 fiscal year. However, EOG's approval for these changes was requested, but not received. Notwithstanding the absence of approval by EOG of these organizational changes, as part of the legislative budget process for the 2006-07 fiscal year, the Agency submitted a budget amendment for the position adjustments and eight of the nine positions were approved by the Legislative Budget Commission.<sup>2</sup>

Our audit also disclosed other positions that were transferred from one budget entity to another without EOG approval, contrary to Section 216.262(1)(c), Florida Statutes. Specifically, we noted that in March 2007, the Agency requested a DMS recommendation to move seven positions from the Bureau of Information Technology (IT), located within the Division of Budget and Planning, to the Bureau of Training and Quality Assurance, located within the Division of Operations. The positions were Allocation, Budget, and Contract Control System monitoring section positions that had been housed in the IT unit since October 2004, although the positions did not support the IT unit. The Agency reassigned the positions in May 2007. As of September 2007, EOG approval had not been obtained.

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**Recommendation: The Agency should ensure that organizational changes are approved in compliance with law.**

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### **Finding No. 4: Position and Salary Rate Report**

Section 216.181(10)(c), Florida Statutes, requires State agencies to report, each fiscal quarter, to the Legislative Budget Commission (LBC) in a form and manner prescribed by the Commission, the number of

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<sup>2</sup> Section 216.181(2)(i), Florida Statutes, authorizes state agencies to submit amendments to adjust full-time equivalent positions, salary rate, and related budget authority.

filled positions, the number of vacant positions, and the salary rate associated with each category.

Our audit disclosed that the Agency did not file the required quarterly reports for the 2005-06 fiscal year or the 2006-07 fiscal year. In response to our inquiry, Agency staff indicated the first salary rate report submitted by the Agency to the LBC had covered the second quarter of the 2007-08 fiscal year (quarter ended December 31, 2007).

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**Recommendation:** The Agency should ensure that required salary rate information is submitted to the Legislative Budget Commission on a timely basis.

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**Finding No. 5: Financial Status Reports - Home and Community-Based Services Program**

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Florida Statutes require the Agency to submit quarterly reports to EOG, the Chair of the Senate Ways and Means Committee or its successor, and the Chair of the House Fiscal Council or its successor regarding the financial status of the Home and Community-Based Services Program.<sup>3</sup> The information to be submitted includes the number of enrolled individuals who are receiving services through one or more programs; the number of individuals who have requested services who are not enrolled, but who are receiving services through one or more programs, with a description indicating the programs from which the individual is receiving services; the number of individuals who have refused an offer of services, but who choose to remain on the list of individuals waiting for services; the number of individuals who have requested services, but who are receiving no services; a frequency distribution indicating the length of time individuals have been waiting for services; and information concerning the actual and projected costs compared to the amount of the appropriation available to the Program and any projected surpluses or deficits.

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<sup>3</sup> The requirement was originally contained in Chapter 2005-70, Laws of Florida. Subsequently, Chapter 2006-15, Laws of Florida, revised Section 393.0661(5), Florida Statutes, to require the submission of quarterly financial status reports.

Our audit included an examination of selected tables from each of the five quarterly reports submitted by the Agency during the 2005-06 fiscal year, and the 2006-07 fiscal year through December 2006. The following issues were noted:

- The Agency was not always able to provide documentation to support amounts reported on the quarterly reports because the data for the reports was extracted from dynamic production databases, where queries performed on a specific date could not be recreated on subsequent dates. Absent retention of data supporting the numbers and amounts reported, the Agency may lack the ability to address information requests made by users of the report.
- The quarterly reports for the 2006-07 fiscal year did not consistently reflect an anticipated \$9 million decrease in Federal funding.<sup>4</sup> The Agency reported the decrease in the first and third quarter reports, but incorrectly omitted the decrease in the second quarter report. Absent accurate and complete reporting, the Agency and other decision makers may not have reliable information for planning purposes.
- Quarterly reports were not always timely submitted. For the five reports reviewed, the dates of submission ranged from 58 to 168 days after the end of the quarter and averaged 91 days. Agency staff indicated that procedures were to prepare the report in the second month after the end of the quarter to allow for data submission and input. Although no time frame is specified in the law, in order to provide timely information to EOG and the Legislature, the reports should be submitted as soon after the end of the quarter as possible.

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**Recommendation:** The Agency should enhance procedures to ensure the accuracy, completeness, and timeliness of statutorily-required reports. Additionally, supporting documentation should be maintained to allow the Agency to respond to information requests.

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<sup>4</sup> The incorrect Federal Medical Assistance Percentage (FMAP) rate was used in preparing the Agency's budget for the Home and Community-Based Services waiver, resulting in \$9 million less in Federal funds than anticipated. Specifically, the prior Federal fiscal year (FFY) FMAP of 58.89 percent was used to prepare the budget, but effective October 1, 2006, the FMAP changed to 58.76 percent.

### **Finding No. 6: Quality Assurance Reviews - Home and Community-Based Services Program**

It is the responsibility of the Agency to ensure the quality of the goods and services delivered to clients. To assist the Agency in meeting these responsibilities, Delmarva Foundation, under contract with the Agency for Health Care Administration, monitored the activities of direct service providers and waiver support coordinators (WSCs). Services provided by direct service providers included, for example, in-home support services, durable medical equipment and supplies, and physical therapy. WSCs were responsible for advocating for and assisting individuals in identifying, accessing, and coordinating support and services designed to meet their needs and achieve personal goals.<sup>5</sup>

In December 2006, the Agency established Procedure Number APD 18-001, *Responsibilities for Quality Management: Quality Assurance and Quality Improvement for the Agency for Persons with Disabilities*. The procedure states that the Agency Area Offices have primary responsibility for investigation of complaints, specific performance issues brought to their attention, and suspected health and safety concerns noted in the Delmarva reviews. Agency Area Offices were also responsible for recouping overpayments identified during the Delmarva reviews and for following up on and correcting any identified provider background screening deficiencies.

In addition to Procedure Number APD 18-001, the Agency had implemented *Interim APD Follow Up Procedure on Background Screening*, dated May 30, 2006. The procedure required that once notified by Delmarva of a direct service provider's citation for incomplete background screenings, the Agency was to notify the direct service provider that the unscreened staff would have to be removed from contact with clients or be terminated, and that the provider had ten

days to provide to the Agency Area Office the documentation of corrective action taken.

Our review focused on follow-up activities performed by the Agency subsequent to the publication of Procedure Number APD 18-001. We noted areas where improvements in procedures and their execution were needed to reasonably ensure the Agency's timely and appropriate follow-up on deficiencies noted in the Delmarva quality assurance reviews. We examined 15 provider reviews (13 direct service providers and 2 WSCs) conducted after the establishment of APD 18-001 and noted the following:

- Established procedures stated that Delmarva reviews were to be regularly reviewed by Agency Area Office staff; however, a specific timeframe was not included in the procedure.
- No documentation was available to evidence the Agency Area Offices' follow-up activities for deficiencies noted in four Delmarva reviews. The deficiencies reported included incomplete background screenings and findings related to the treatment of particular individuals.
- Provider background screening deficiencies noted in two Delmarva reviews were not timely resolved by the Agency. In one of these cases, the deficiencies were reported in a review conducted January 18, 2007, and the background screenings had not been completed as of July 26, 2007. In the other instance, the Delmarva review was conducted December 19, 2006, and the background screenings had not been completed as of July 23, 2007.
- The Agency did not recoup funds from providers, as recommended by four Delmarva reviews. In two instances, staff from the Agency Area Offices responded that recoupments were not made because the Agency's Statewide recoupment policy was in draft form and had not been implemented. Agency Central Office staff indicated that they had instructed Agency Area Offices to implement the draft procedures; however, they could not provide documentation demonstrating that this instruction had been communicated. In another instance, the failure to recoup was due to an oversight by a new employee. In the fourth review, conducted on February 8, 2007, the Agency Area Office was in the process of validating the information, but had not determined the recoupment amount as of July 6, 2007.

<sup>5</sup> Effective January 1, 2008, the Agency assumed responsibility for client needs assessments, cost plan development, and prior service authorization development. This change was made as the result of revisions to Section 393.0661, Florida Statutes, by Chapter 2007-64, Laws of Florida.

Delays in the resolution of provider service issues lessen the Agency's ability to ensure the safety of individuals and the quality of the goods and services delivered.

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**Recommendation: The Agency should continue to enhance procedures to ensure timely and complete follow-up on deficiencies noted in the quality assurance reviews.**

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**Finding No. 7: Reconciliation Process**

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The Agency uses the Allocation, Budget, and Contract Control (ABC) System to plan and manage the provision of services to individuals with developmental disabilities. The ABC System is used to record two types of services: individual and family support services and room and board services. During the audit period, expenditures for these two type of services totaled approximately \$38.7 million.

The Agency has adopted DCFS procedures requiring a monthly reconciliation of expenditure information in the ABC System to expenditure information in the State's general ledger accounting system, the Florida Accounting Information Resources subsystem (FLAIR). During our audit, Agency staff indicated that prior to February 2007, reconciliations between the ABC System and FLAIR were not completed for approximately three years, with the exception of Agency Area Office 11, whose staff indicated they had been performing the reconciliations. In May 2007, Agency staff stated a position had been assigned responsibility for the reconciliations in February 2007. In an updated response in February 2008, the Agency indicated that reconciliations had been completed by this employee for the months July 2006 through January 2007 and July 2007 through November 2007, but that the position was again vacant and no further reconciliations had been performed.

Absent timely and periodic reconciliations of the data in the ABC System to FLAIR, management had reduced assurance of the accuracy and completeness of ABC System data.

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**Recommendation: The Agency should enhance procedures to ensure the timely reconciliation of data recorded in the ABC System to related information recorded in FLAIR.**

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**Finding No. 8: Tangible Personal Property**

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The Agency was responsible for accounting for and safeguarding State-owned tangible personal property in the custody of the Agency. At June 30, 2007, the Agency reported tangible personal property totaling \$19.4 million (\$3.8 million depreciated value).

Rule 69I-79.006(6)(b), Florida Administrative Code, (FAC) and predecessor rules, require items not located during the inventory process to be promptly reported and investigated. Rule 69I-71.003, FAC, requires governmental units to submit requests to the Department of Financial Services for adjustment of property records for property that has been reported missing in the two most recent physical inventories. The Rule provides that approval will not be given unless the request documents that a reasonable effort to account for the property was made and that additional expense to locate the property would not be cost effective.

Our tests of the Agency's investigation of items not located during inventories disclosed:

- The results of the 2006-07 fiscal year physical inventory of the Agency's Central Office showed 111 missing items, including 77 missing computers and printers that were acquired 1 to 2 years prior, with a total acquisition cost of \$53,127 and a depreciated value of \$2,710. Some of these recently-acquired items included 62 donated computers that were to be distributed to the Area Offices, and 6 items that had just been acquired during the previous fiscal year. We were provided with no evidence to indicate that these missing items of property had been investigated.
- An examination of documentation related to 12 property items that were unaccounted for during two or more consecutive fiscal years disclosed that:
  - For 9 of the 12 property items, with acquisition costs totaling \$17,233.18, the Agency requested a write-off off during the 2006-07 fiscal year, at which point the items had been missing for three consecutive inventories. However, the

Agency could not provide documentation that these missing items had been investigated.

- For the remaining 3 items totaling \$5,790.95, the Agency could not provide documentation of either a write-off request or an investigation.

Absent timely investigation of missing property, the Agency may not timely detect errors in records, property losses, and, in the case of computers, losses of data and potential computer security issues.

**Recommendation:** We recommend that the Agency comply with governing laws and rules regarding the prompt investigation of missing State-owned tangible personal property.

**Contract Administration and Monitoring**

In December 2006, the Agency hired a Contract Administrator for the Central Office to coordinate and oversee the Agency’s contract management functions and staff. Contract managers in the Agency’s Area Offices included both Agency and DCFS employees.

As part of our review, we interviewed 39 contract management staff, including most of the contract managers, as well as additional staff with fiscal and monitoring responsibilities over the Agency’s contracts. As stated above, some of these were employees of the Agency and some were DCFS employees performing duties in accordance with the interagency agreement. The following table lists the number and types of staff surveyed.

Table 2  
Contract Management Staff

Category	APD Employees	DCFS Employees	Total (1)
Contract Managers	16	7	23
Contract Administrators	1	5	6
Fiscal Reviewers	6	0	6
Other Management	3	1	4
Total	26	13	39

(1) The number interviewed represented the majority of contract-related staff from the listing provided by the Agency.

In December 2007, the Agency provided a listing of 260 contracts with contract amounts totaling \$74.3 million that were in effect during the audit period.

Based on the interviews with contract management staff and discussions with Agency management, and based on our review of the Agency’s contract management framework, we noted areas for improvement, as described below.

**Finding No. 9: Contract Listing**

The Agency did not maintain a comprehensive listing of the Agency’s contracts, along with the total expenditures for these contracts. In addition, such a listing could not be generated from FLAIR records upon request because contract allotments, encumbrances, and expenditures had not always been correctly entered. (See also finding No. 13 related to the contract monitoring risk assessment.) Further, Agency staff indicated that they did not have a listing showing contract management staff and related contract assignments.

In response to our inquiry in December 2007, Agency staff provided a master listing of contracts effective during the audit period, along with the responsible contract managers, and indicated that new procedures were being implemented, to include:

- A new system to enter contract allotments into FLAIR to eliminate the need for manual entries by staff and increase the accuracy of the data input.
- Titling of contracts in FLAIR by the Central Office Contract Unit in order to centralize the process and provide for some additional oversight.
- Monitoring of FLAIR contract payments on a quarterly basis by the Central Office Contract Unit and Bureau of Financial Support Services.

Agency management also indicated that future monitoring plans included developing queries to determine if contract numbers were input on all the FLAIR contract payments and to compare the FLAIR contract encumbrances with the balances on the December 2007 master contract listing. Plans also included updating a master contract listing on a monthly basis.

Absent accurate FLAIR records related to contracts and an accurate, up-to-date listing showing key contract personnel and the contracts for which they were responsible, the Agency had reduced assurance

of its ability to provide accountability and oversight for Agency contracts.

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**Recommendation:** The Agency should ensure that a complete and accurate contract listing is compiled and maintained.

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**Finding No. 10: Written Policies and Procedures**

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The Agency had not developed written policies and procedures to guide staff in the contract management process. In response to our inquiry, management indicated that the Agency utilized DCFS contract management policies and procedures.

While we recognize that DCFS has an established contract management framework and a full array of contract management policies and procedures, these procedures are specific to the structure of DCFS and the services it provides. During our interviews with contract staff, many employees expressed a need for written procedures specific to the Agency. These procedures were especially needed for employees new to contract management and in Area Offices where assistance from DCFS employees was less accessible.

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**Recommendation:** The Agency should begin efforts to compile its own written policies and procedures for contract management.

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**Finding No. 11: Framework and Communication**

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During our interviews of contract management staff, we noted a lack of an organized framework, as well as deficiencies in the communication between Agency management and contract management staff. Areas of concern to staff were:

- Many staff cited confusion regarding the division of contract management responsibilities between the Agency and DCFS. Those interviewed reported receiving from DCFS, staffing levels and types of assistance which varied among the different Area Offices. (See also the discussion of training in finding No. 12 and the discussion of contract manager file reviews in finding No. 13.) Agency management indicated that a service level agreement was being developed to provide a clearer delineation of contract management responsibilities between the Agency and DCFS. As of March 2008, the contract administration service level agreement was in draft form.

- The Agency did not have a system to identify and track contracts, other than FLAIR. A contract management system, if implemented, could include, for example, background for each contract, such as the contract manager's name, contract amount, contract balance, monitoring scheduled, and monitoring performed.
- Agency management had not effectively communicated to staff regarding where to store closed contract files. During our interviews, 6 of the 23 contract managers reported storing closed files in their APD offices, and 7 (mostly DCFS employees) reported storing the files in DCFS offices. The remaining 10 contract managers had not yet closed out a contract, but several of these indicated they were unsure of where they should store the files. Absent clear communication of Agency policy, contract information may be subject to an increased risk of loss. In response to our inquiry, the Agency indicated that DCFS policies on the storage of closed contract files should be followed.
- Many contract managers interviewed expressed concern over the lack of a centralized contract management forum for communication of issues and ideas. Such a forum may include a Web page on the Agency's intranet site where standardized forms, flowcharts, checklists, and policies and procedures could be accessed by all staff. Contract staff also expressed a need for routine meetings via conference calls, similar to those conducted by DCFS. Although Agency staff may have participated in DCFS calls, they were geared towards DCFS programs and processes and may not have directly related to Agency issues.

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**Recommendation:** We recommend that the Agency complete its contract management framework and include consideration of those areas noted above. In completing the framework, comments and suggestions from the Agency's contract management staff should be solicited.

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**Finding No. 12: Contract Management Training**

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The Agency follows DCFS training policies and procedures and relies on DCFS to provide contract management training to Agency staff. According to DCFS procedures, contract managers must attend contract manager training before being assigned responsibility for any contract. As part of our interviews of 23 contract managers, we inquired regarding the quality and frequency of contract manager training. All reported having attended contract manager training and receiving contract



manager certification, either upon employment with the Agency or as a former employee of DCFS, with the exception of two employees. One of the two had attended some training, but had not received certification training, and the other had neither attended the training nor received certification.

In addition, 7 of the 23 contract managers reported concerns with the adequacy or availability of the training. Specific concerns in regard to the training included that it was not in-depth enough and not specific enough to the Agency. Additionally, three contract managers who had been certified while employed with DCFS reported that they had not received any recent retraining, even though they had been certified four to eight years ago.

Employee training is an essential element of effective internal control. Lack of sufficient training could increase the risk of improper contract management and result in noncompliance with State and Federal laws.

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**Recommendation: The Agency should consider surveying its contract managers to determine whether, and in which areas, more training is needed. In addition, the Agency should review the contract management training provided by DCFS to ensure that it meets the needs of those managing Agency contracts.**

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### **Finding No. 13: Contract Monitoring**

As noted above, as required by the interagency agreement, DCFS provided assistance with the Agency's contract management functions. One of these functions, contract monitoring, continued to be performed solely by the DCFS Contract Oversight Unit (COU). While the functions were performed by DCFS, the responsibility for ensuring that Agency contracts were appropriately monitored ultimately rested with the Agency. During our audit, we noted the following deficiencies with respect to contract monitoring:

- The Agency's contracts were not listed in the DCFS' electronic contract database. Therefore, in order for the Agency's contracts to be included in the population of contracts to be monitored by DCFS, the Agency was required to identify for DCFS the Agency's contracts. As noted in

finding No. 9, the Agency did not maintain a comprehensive listing of its contracts; therefore, the Agency was not able to demonstrate that it had identified for DCFS COU all of the Agency's contracts. In our audit tests, we compared the master contract listing provided by the Agency in December 2007 to the contracts that had been identified for DCFS COU for monitoring purposes. From this comparison, we noted 26 Agency contracts with total contract obligations of \$18,762,419 that were not identified for DCFS COU, and as a result, were not monitored during the 2005-06 or 2006-07 fiscal years.

- According to DCFS procedures, adopted by the Agency, reviews of the contract managers' files were to be conducted on a routine basis by the contract administrator to ensure necessary documentation was being properly maintained. Eleven of the 23 contract managers interviewed did not receive during the audit period a file review from either the Agency's contract administrator or by a local DCFS contract administrator.

The lack of file reviews appear to be due to the lack of a consistent understanding between the Agency staff and DCFS staff of the interagency agreement provisions regarding responsibilities for file reviews. Although Agency management indicated the file reviews were the responsibility of DCFS staff, the five DCFS contract administrators we interviewed reported that file reviews of Agency contract manager files were not required by the interagency agreement.

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**Recommendation: The Agency, upon completion of a comprehensive contract listing, should ensure that all of its contracts are included in the DCFS COU risk assessment and should review DCFS' monitoring efforts to ensure its interests are protected.**

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

This audit focused on Agency activities related to 1) the interagency agreement between the Agency and DCFS, 2) the organizational structure, 3) management reporting, 4) the Home and Community-Based Services Program prior service authorization function and monitoring, 5) tangible personal property and motor vehicles, and 6) contract administration and monitoring. Our objectives were:

- To evaluate the effectiveness of established internal controls in achieving management's control objectives in the categories of compliance with controlling laws, administrative rules, and

other guidelines; the economic, efficient, and effective operation of State government; the validity and reliability of records and reports; and the safeguarding of assets.

- To evaluate management's performance in achieving compliance with controlling laws, administrative rules, and other guidelines; the economic, efficient, and effective operation of State government; the validity and reliability of records and reports; and the safeguarding of assets.

This operational audit was conducted in accordance with applicable Generally Accepted Government Auditing Standards.

Our audit included examinations of various transactions, as well as events and conditions occurring during the period July 2005 through February 2007, and selected actions taken from October 2004 through March 2008. In conducting our audit, we:

- Interviewed selected Agency personnel.
- Interviewed selected DCFS personnel, regarding areas within the scope of the audit, including the interagency agreement and contract administration and monitoring.
- Obtained an understanding of internal controls and observed, documented, and tested processes and procedures related to areas within the scope of the audit.
- Examined reports and supporting documentation prepared by Agency management in regard to organizational structure changes, employee position and salary rate information, and the Home and Community-Based Services Program.
- Examined Agency records and transactions relating to motor vehicles and tangible personal property.

- Examined documentation regarding the follow-up procedures performed by the Agency Area Offices in response to Delmarva Foundation quality assurance reviews of Home and Community-Based Services Program direct service providers and WSCs.
- Performed various other auditing procedures as necessary to accomplish the objectives of the audit.

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#### AUTHORITY

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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

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#### MANAGEMENT RESPONSE

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In a letter dated May 9, 2008, the Agency Director provided responses to our preliminary and tentative audit findings. This letter is included in its entirety at the end of this report as Appendix A.

In the letter's introductory remarks, the Agency cites a concern that "due to the protracted length of the audit period, many of the audit findings are no longer valid and they reflect the policies and procedures of a prior administration." The balance of the Agency's response should be read to obtain a more complete understanding of the Agency's representations concerning the current status and validity of each of the audit findings and recommendations. Table 1 of our report provides a list of Agency Directors and their dates of service.

This audit was conducted by Gail Wright and supervised by Karen Van Amburg, CPA. Please address inquiries regarding this report to Jane Flowers, CPA, Audit Manager, by e-mail ([janeflowers@aud.state.fl.us](mailto:janeflowers@aud.state.fl.us)) or by telephone (850-487-9136). This report and other audit reports prepared by the Auditor General can be obtained on our Web site (<http://www.myflorida.com/audgen>); by telephone (850-487-9024); or by mail (G74 Claude Pepper Building, 111 West Madison Street, Tallahassee, Florida 32399-1450).

APPENDIX A  
MANAGEMENT RESPONSE



agency for persons with disabilities  
State of Florida

May 9, 2008

Charlie Crist,  
Governor

\*\*

Jane E. Johnson,  
Agency Director

\*\*

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David W. Martin, CPA  
Florida Auditor General  
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Tallahassee, Florida 32399-1450

Dear Mr. Martin:

I have received the preliminary and tentative audit findings and recommendations for operational audit of the Agency for Persons with Disabilities (APD) for the period of July 2005 through February 2007, and selected actions since creation of the Agency in October 2004 through March 2008. We appreciate the work that the Auditor General staff has done; however, we are concerned that due to the protracted length of the audit period, many of the audit findings are no longer valid and they reflect the policies and practices of a prior administration.

Given that Section 20.197, Florida Statutes, created APD to be housed within the Department of Children and Family Services (DCF) for administrative purposes. APD remains dependent upon DCF staff for the performance of many of the Agency's administrative functions.

Interagency Agreement

**Finding No. 1:** Improvement was needed in defining the terms of the interagency agreement between the Agency and the Department of Children and Family Services. **Response:** APD has worked with DCF on creating a more detailed interagency agreement that defines the roles, responsibilities and reporting requirements of each organization as it relates to administrative service activity. Both agencies have approved the new agreement in concept and it is in final drafting stage. The activity includes Finance/Accounting, Contract Management, General Services, Human Resources and Background Screening. This has been a coordinated effort between all supervisors from each organization.

**Finding No. 2:** The Agency made payments to DCFS which exceeded the amount specified in the Information Technology Service Level Agreement for the 2006-07 fiscal year. **Response:** The Agency is in the process of negotiating an updated service level agreement. The work is essentially completed, but further changes are needed to reflect Legislative budget decisions to transfer funds to allow APD to provide its own desktop support

<http://apd.myflorida.com>

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and application support for the Allocation, Budget and Contract Control (ABC) system. The Agency has prepared a revised draft agreement and submitted it to DCF.

Organizational Structure

**Finding No. 3:** Contrary to governing statute, the Agency did not always obtain the approval of the Executive Office of the Governor prior to making changes in its organizational structure. **Response:** As APD has identified efficiencies and opportunities to become more self-sufficient, there have been a number of organizational changes. APD has submitted revised organizational charts on several occasions to the Department of Management Services (DMS). The last submission was on March 12, 2007 which was approved by DMS. The request was submitted to the Governor's Office of Policy and Budget (OPB) in April 2007, but the request was referred back to APD for further revisions due to organizational changes mandated by changes in statute.

Position and Salary Rate Report

**Finding No. 4:** The Agency did not submit to the Legislative Budget Commission required quarterly reports concerning positions and salary rates. **Response:** The Agency started regular submission of the required report in the form and manner prescribed by the Commission in January 2008. The Agency has created a reporting system which will enable it to ensure ongoing compliance.

Home and Community-Based Services Program

**Finding No. 5:** Improvements were needed in the Agency's procedures for the preparation of quarterly reports on the financial status of the Home and Community-Based Services Program. **Response:** The APD Office of the Inspector General reported similar findings in a report dated November 30, 2006. The Agency has recognized a need for improvements in this area and has made significant revisions to reporting processes. These changes address the audit findings and recommendations.

Quarterly reports are now submitted within 45 days after the end of the quarter. The delay is necessary to allow time for invoices for services provided during the quarter to be submitted to Medicaid for payment. Waiting 30 days allows for roughly 80% of billings for services in the 3<sup>rd</sup> month to be submitted.

Financial projections are now based on the actual amounts reflected for waiver services in the General Appropriations Act plus any anticipated interim adjustments (e.g. special session actions, budget amendments). The Agency routinely consults with House and Senate appropriations staff to verify that appropriated amounts are properly reflected.

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Additionally, APD provides monthly reports to the Legislature and Executive Office of the Governor on the status of the HCBS waiver.

All supporting documents are now maintained and are available upon request by any interested party.

**Finding No. 6:** Improvements were needed in the Agency's follow-up on deficiencies reported in quality assurance reviews of service providers and waiver support coordinators. **Response:** Under the current administration, APD finalized and formally implemented Operating Procedure OP18 – 002, Area Responsibilities for Recoupment and Overpayment, on July 31, 2007. Recoupment and detection of fraud is a priority for the Agency. Since implementation of the procedure, all Areas are implementing recoupment activities. Reports of recoupment activities are received in the APD central office each month with a summary report of Area status provided to the administration. In addition, APD is meeting regularly with Agency for Health Care Administration's Medicaid Program Integrity staff and staff from the Attorney General's office to increase communication between the entities and resolve issues relating to provider performance and inter-agency coordination and cooperation.

In addition, APD has hosted a Quality Management Workgroup made up of Area Administrators and appropriate other staff with the purpose of reviewing the Delmarva quality management system and identifying improved methods of utilizing the Delmarva report findings. The current Operating Procedure for Quality Management will be reviewed with this group to identify the addition of appropriate timeframes and documentation requirements consistent with the Auditor General's concerns and recommendations. Timely resolution of background screening citations will be addressed.

The Agency has been more aggressive in the last year to take action against providers with documented deficiencies. These actions include:

1. increased number of licensure actions against providers,
2. statewide residential oversight reviews to ensure the health and safety of residents and to improve the current monitoring system, and
3. substantive revisions to the Medicaid Waiver Provider Handbook.

Reconciliation Process

**Finding No. 7:** The Agency did not perform periodic reconciliations between the State's general ledger accounting system (FLAIR) and the system used to plan and manage services for individuals with developmental disabilities.

**Response:** The Agency recognized the need to perform this function and

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moved a position to the Bureau prior to the start of the audit fieldwork in February 2007. Training was provided to the position and a partial reconciliation was performed. The 2007/2008 fiscal year reconciliation process was started and remained current until the position was vacated at the end of January 2008. Due to the past freeze on positions this position was just recently filled and additional staff is being trained to prevent disruption in the reconciliation process for the future, should the current position vacate.

Tangible Personal Property

**Finding No. 8:** Instances of missing tangible personal property, such as computers and printers, were not timely investigated. **Response:** This occurred under the prior administration. Investigations are now conducted by the Agency's General Services staff or other appropriate staff upon notification. If an item is stolen, the appropriate law enforcement agency is notified.

It is important to note that DCF performs inventory for APD pursuant to a service level agreement between the two organizations. DCF performs inventory once per year and notifies APD of any missing property. Except in instances of suspected theft or self-reported loss of property from an employee, APD is not notified of missing property until DCF completes its inventory. Consequently, APD will not necessarily know how long an item has been missing.

Contract Administration and Monitoring

**Finding No. 9:** The Agency did not maintain a complete and accurate listing of all contracts and related expenditures. **Response:** The Agency continues to rely heavily upon the DCF for support in the area of contract management. DCF has not been able to provide an adequate level of support because of its own resource constraints. The Agency has hired a contract administrator and professional support staff to provide technical assistance and oversight of Agency contracts. This unit is currently compiling and maintaining a comprehensive and accurate listing of contracts and related expenditures.

**Finding No. 10:** The Agency had not developed written policies and procedures related to contract management. **Response:** The Agency is currently in the process of developing written policies and procedures related to the contract management process. These should be available on the Agency intranet site during the summer of 2008.

**Finding No. 11:** Deficiencies in the overall contract management framework and in the communication between the Agency and contract management staff were identified. **Response:** Inconsistent levels of support from DCF

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among the areas hinder our ability to develop and communicate uniform, statewide processes.

DCF recently excluded APD from its automated contract tracking system. APD was not aware of the decision until after the fact. APD has started the initial specifications for a new web-based system which will provide some of the lost functionality.

As it relates to closed contracts, APD will rely on the DCF policy which is currently in effect. APD is in the process of contracting with an imaging company that will include contracts. It is our plan to have all closed contracts scanned and archived. Until this process is completed, APD will send out clear directions on how closed contracts should be stored.

APD will schedule a monthly call with all contract administrators to promote better communication and to help promote better understanding of APD programs and processes.

**Finding No. 12:** Agency contract management staff reported deficiencies in job-related training. **Response:** Contract management training is provided by DCF. The Service Level Agreement is being revised to clarify the role of DCF in providing contract management training. Currently other APD resources are being utilized to assist in setting up supplemental training for all APD contract managers and related staff. The Department of Financial Services (DFS) contract staff has agreed to provide training from a statewide perspective including compliance with State and Federal laws. The APD contract administrator will provide agency specific information in the joint training session with DFS.

APD recognizes the need for continued training in contract management. APD is working with DCF to ensure all contract managers receive the needed training.

**Finding No. 13:** Improvements were needed with regard to the monitoring of the Agency's contracts. **Response:** Currently the DCF Contract Oversight Unit (COU) obtains the list of contracts information by downloading it from the Information Delivery System (IDS). The current APD contract administrator has tested this process with the COU to ensure that they are receiving all APD contracts for monitoring purposes and assessing risk management issues. A new process implemented by the APD contract administrator moved the FLAIR titling function to Central Office. This will provide additional oversight to ensure all contracts are recorded in FLAIR/IDS. During most of the audit period, APD did not have a contract administrator to ensure that the information was provided to the COU. As noted earlier in the response to

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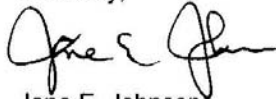
finding No. 9, a contract administrator has been hired. The contract administrator was hired in December 2006.

The lack of file reviews is addressed in the current service level agreement negotiations between APD and DCF. APD does not have the staff to perform the actual reviews but will monitor to make sure reviews are performed by DCF staff.

In conclusion, much of the audit addresses issues that were created by the separation of the Agency from DCF and transition issues surrounding this move. APD has been working diligently with DCF to rectify these issues. Streamlining the transition has been a top priority as it impacts some of the most significant operations on a daily basis. The solution of course, would be to fully fund and implement APD's divestiture from DCF much like what was done when the Department of Juvenile Justice was created as a separate entity. In the meantime, APD will make every effort to comply with suggestions noted in this report that have not already been addressed.

I appreciate the insight and information provided in this report and look forward to working with you in the future. Please contact Karen Laiche, Director of Audit, if you need additional information.

Sincerely,



Jane E. Johnson  
Agency

cc: Melissa Jaacks, Assistant Secretary for Administration  
Charles Faircloth, Inspector General  
Karen Laiche, Director of Audit