

**DEPARTMENT OF CHILDREN AND
FAMILY SERVICES**

**CONTRACT MONITORING AND
OTHER SELECTED ADMINISTRATIVE ACTIVITIES**

Operational Audit

July 2006 through February 2008



SECRETARY OF THE DEPARTMENT OF CHILDREN AND FAMILY SERVICES

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

Secretary	Dates of Service
Lucy D. Hadi	September 2004 to January 2007
Robert Butterworth	January 2007 to August 2008

This audit team leader was Samantha Colbert, CPA, and the audit was supervised by Karen Van Amburg, CPA. Please address inquiries regarding this report to Jane Flowers, CPA, Audit Manager, by email 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 at www.myflorida.com/audgen; by telephone at (850) 487-9024; or by mail at G74 Claude Pepper Building, 111 West Madison Street, Tallahassee, Florida 32399-1450.

DEPARTMENT OF CHILDREN AND FAMILY SERVICES

Contract Monitoring and Other Selected Administrative Activities

SUMMARY

This operational audit of the Department of Children and Family Services (Department) focused on contract monitoring and other selected administrative activities. Our audit, covering the period July 2006 through February 2008, also included a follow-up on the status of actions taken by the Department to address prior audit findings. Our audit disclosed the following:

Contract Monitoring

RISK ASSESSMENT

Finding No. 1: Department contract oversight staff did not always score contracts correctly for the annual risk assessment required for contract monitoring.

MONITORING EXCLUSIONS

Finding No. 2: Department contract oversight staff inappropriately excluded some providers from monitoring.

MONITORING PLANS

Finding No. 3: Department contract oversight staff did not always perform monitoring in accordance with the monitoring plan.

COMMUNITY-BASED CARE LEAD AGENCY MONITORING

Finding No. 4: The Department’s standard tool for monitoring community-based care lead agencies did not contain all applicable criteria necessary to determine subcontractor monitoring compliance.

Administrative Activities

CONTRACTS WITH FORMER EMPLOYEES

Finding No. 5: The Department entered into contracts with former employees and the contracts violated the contract amount limits set by Section 112.3185(5), Florida Statutes.

FLAIR ACCESS

Finding No. 6: The Department did not always ensure that access to the Florida Accounting Information Resource Subsystem (FLAIR) was timely canceled for terminated employees.

PURCHASING CARD CANCELLATIONS

Finding No. 7: The Department did not always ensure that purchasing cards were timely canceled for terminated employees.

SECURITY CONTROLS

Finding No. 8: The Department should improve certain security control features related to the Automated Community Connection to Economic Self-Sufficiency Imaging System (ACCESS Imaging System) and the Voucher Imaging System.

CELLULAR TELEPHONES

Finding No. 9: Department staff did not always follow established policies and procedures regarding monitoring of cellular telephone usage.

MyFloridaMarketPlace

MFMP UTILIZATION

Finding No. 10: The Department did not fully utilize all the functional capabilities available in the MyFloridaMarketPlace (MFMP) system and continued to rely on workarounds and alternate systems in lieu of MFMP functionality.

MANAGEMENT OF ATTACHMENTS

Finding No. 11: The Department’s procedures for monitoring MFMP attachments for confidential information needed improvement.

USER ROLE ASSIGNMENTS

Finding No. 12: The Department’s procedures for assigning MFMP user roles needed improvement.

People First

PAYROLL AUDITS

Finding No. 13: The Department’s payroll audit procedures needed improvement.

LEAVE BALANCE DISCREPANCIES

Finding No. 14: The Department did not always correctly calculate leave balances for employees who had separated from the Department.

BACKGROUND

The mission of the Department is to protect the vulnerable, promote strong and economically self-sufficient families, and advance personal and family recovery and resiliency. The Department oversees the operations of many of the State’s social service programs including those related to the Automated Community Connection to Economic Self-Sufficiency (ACCESS), child care, mental health, refugee, and substance abuse programs. The Department’s organizational structure included the Central Office, 6 regions, and 20 circuits.

FINDINGS AND RECOMMENDATIONS

Contract Monitoring

Most direct services for Department program clients were provided by private entities through contracts with the Department. According to Department records, for the 2007-08 fiscal year (as of May 2008), the Department had in effect 964 contracts with current year contract amounts totaling \$1.7 billion.

State law¹ directs the Department to establish monitoring units and a monitoring process for Department service provider contracts. To meet this requirement, the Department established the Contract Oversight Unit (COU) to conduct monitoring to evaluate contract provider compliance with State and Federal laws, rules, and contract provisions.

¹ Section 402.7305(4), Florida Statutes.

Finding No. 1: Risk Assessment

State law² requires that, as part of its contract monitoring process, the Department perform a risk assessment at the start of each fiscal year and prepare an annual contract monitoring schedule that includes consideration of risk. The Department's process for assessing risk included an evaluation of numerous criteria, such as the total dollar value of the contract, the nature of the services provided, and the date and results of the previous on-site monitoring efforts. The COU managers were responsible for completing a standard risk assessment tool for contracts within their unit's responsibility and for entering the assigned value for each criterion into a Departmentwide risk assessment database. (See also finding No. 2). Each possible value had a defined numerical score that was then weighted in order to calculate a final score. Based on the final score, COU staff assigned the contract a risk level of high, medium, or low.

Our review of the risk assessment score assessed by COU staff for 30 contracts disclosed errors in scoring for 13 contracts. Some of these errors involved mistakes in answering the criteria (e.g., COU staff entered an incorrect service type), and others involved errors in the weighting of scores. For 12 of the 13 contracts, correction of the error would not have changed the final assessment of high, medium, or low risk. However, for 1 of the 13 contracts, the incorrectly weighted score resulted in a low risk assessment when the correctly weighted score would have resulted in a medium risk assessment, increasing the likelihood of the contract's selection for on-site monitoring.

In response to our inquiry, Department staff indicated that our identification of these errors revealed a need for increased quality assurance activities associated with the risk assessment calculations.

Recommendation: We recommend that the COU enhance quality assurance procedures to ensure that scores are correctly assigned to each contract.

Finding No. 2: Monitoring Exclusions

As part of the risk assessment process described in finding No. 1, Department policies provided that contracts meeting one or more of the following criteria could be excluded from monitoring:

- Small Dollar Exclusions - Low or medium risk contracts³ for \$25,000 or less annually (amount was increased to \$75,000 during the 2007-08 fiscal year).
- Short-Term Exclusions - Low or medium risk contracts that have a performance period of 6 months or less.
- Grant Exclusions - Contracts in the form of grants (exclusion was discontinued during the 2007-08 fiscal year).
- Mid-Year Exclusions - Contracts beginning on or after December 1 of the current fiscal year (exclusion was implemented during the 2007-08 fiscal year).
- Desk Review Exclusions (implemented during the 2007-08 fiscal year) and Special Exclusions - Contracts that do not meet the other exclusion criteria, but may be excluded from monitoring, if approved by the COU Chief.

Our audit tests disclosed that the Department did not always correctly apply the above criteria when making decisions to exclude contracts from monitoring. Our review of 31 contracts that were given short-term exclusions disclosed that 5 contracts did not meet the short-term exclusion criterion. Specifically, the performance period for each of the 5 contracts exceeded 6 months.

² Section 402.7305(4)(a), Florida Statutes.

³ Although Department policies stated "providers with low or medium risk contracts," in practice, the decision to exclude a contract from monitoring was made on a contract-by-contract basis.

In addition, our audit tests disclosed that the operation of the above-described Department policy may have resulted in the Department's exclusion of all contracts of particular providers. The exclusion of all such contracts, and thus the provider, from the Department's monitoring schedule, may have contributed to the Department's failure to comply with provisions of State law⁴ which require the Department to conduct desk review monitoring for all external service providers that do not receive on-site monitoring during the fiscal year.

We reviewed records of Department monitoring efforts for 96 providers that each had at least one contract excluded by the Department from monitoring during either the 2006-07 or 2007-08 fiscal years. Contrary to the requirements of law, we noted that, for 57 of the 96 providers, the Department did not conduct a desk review or on-site monitoring for any of the 57 providers' contracts with the Department. For example, the Department did not monitor one provider during either fiscal year, although the provider had two Department contracts totaling \$17 million during the 2006-07 fiscal year and three Department contracts totaling \$17.3 million during the 2007-08 fiscal year.⁵ All three of this provider's contracts were excluded from monitoring using a special exclusion.

Recommendation: We recommend that the Department enhance procedures to ensure that exclusion criteria are applied consistently and correctly. We also recommend that the Department ensure that all providers receive either on-site monitoring or a desk review during each fiscal year, as required by State law.

Finding No. 3: Monitoring Plans

State law⁶ requires Department staff to prepare a contract monitoring plan before performing on-site monitoring of service providers. The plan must include a description of the programmatic, fiscal, and administrative components that will be monitored. Department procedures required the COU monitoring team leader or assigned staff to prepare the monitoring plan to include the administrative, programmatic, and fiscal components to be reviewed and the specific tests to be performed. In addition, the Department had developed various standard monitoring tools and checklists.

Our tests of contract monitoring files for 31 contracts monitored on-site during the audit period disclosed that:

- The Department could not provide a monitoring plan for 4 of the contracts. In response to our inquiry, Department staff indicated that, in 2 instances, the monitoring plan had not been completed and, in the other 2 instances, the monitoring plan had been completed but could not be located.
- Although Department procedures required COU managers to review the development of the contract monitoring plan with the assigned team, the procedures did not include specific provisions requiring supervisory approval of the plan. As a consequence, for 13 files reviewed, there was no evidence, such as routing documents or signatures on the monitoring plans, documenting supervisory review or approval of the monitoring plan.
- On-site monitoring was not conducted in accordance with the monitoring plan for 17 of the files reviewed. In all 17 instances, the monitoring team performed less monitoring than included in the plan. For example, in one instance, the plan included assignments to address contract requirements related to civil rights, data security, personnel, inventory, and incident reporting; however, the monitoring tools for these assignments were not completed. In response to our inquiry, Department management indicated that COU monitors were allowed to revise plans without supervisory approval and the reasons for the revisions were not required to be documented by the monitor.

⁴ Section 402.7305(4)(c), Florida Statutes.

⁵ Two contracts had terms of July 2005 through June 2008 with contract amounts of approximately \$13 million and \$4 million, respectively. The third contract had a term of November 2007 through June 2009 and a contract amount of approximately \$300,000.

⁶ Section 402.7305(4)(b), Florida Statutes.

The preparation and supervisory approval of monitoring plans assists Department management in ensuring that monitoring efforts are systematic and complete in terms of the risks and issues addressed. Monitoring that occurs without an approved plan or that deviates significantly from the approved plan reduces management's assurance that contracts are effectively monitored.

Recommendation: We recommend that the Department implement procedures requiring supervisory review and approval of monitoring plans. Such review and approval should be documented in the contract monitoring file. Any modifications to the approved plans should also be documented and approved by supervisors.

Finding No. 4: Community-Based Care Lead Agency Monitoring

The Department is required by State law⁷ to outsource the provision of foster care and related services Statewide by contracting with community-based care (CBC) lead agencies. During the audit period, the Department had 22 contracts with 19 lead agencies. The Department's contracts with lead agencies permitted the agencies to enter into subcontracts with other entities for the provision of services. The number of subcontractors utilized by lead agencies and the types of services subcontracted varied by lead agency. For example, one lead agency did not utilize any subcontractors and another lead agency utilized over 100.⁸ According to the terms of the contracts with the Department, lead agencies were responsible for service delivery, monitoring, and quality assurance for all their subcontractors.

Department procedures required COU staff to monitor each lead agency on-site annually. The Department established a CBC Subcontract Monitoring Tool to be used when evaluating lead agency compliance regarding subcontractors. During our audit, we noted that the CBC Subcontract Monitoring Tool did not include all the subcontracting requirements included in the lead agency contracts. Specifically, the tool did not include a requirement that COU staff determine whether the lead agency:

- Obtained written approval from the Department for subcontracts with certain types of providers.⁹
- Conducted a cost analysis for all subcontracts in excess of a contract-specified threshold (\$25,000 to \$1,000,000, depending on the contract), or whether the lead agency had awarded contracts competitively.
- Included programmatic and fiscal monitoring requirements in all applicable subcontractor agreements.

The extent of subcontractor utilization by CBC lead agencies increases the need for effective COU monitoring of lead agency subcontracting requirements.

Recommendation: We recommend that COU staff monitor CBC lead agency compliance with all applicable contract requirements, including those related to subcontracting. To facilitate the effective monitoring of CBC lead agency subcontracting activities, COU management should revise the CBC Subcontractor Monitoring Tool to include all the subcontracting requirements included in the CBC lead agency contracts.

Administrative Activities

The Office of Administrative Services, under the Assistant Secretary for Administration, is responsible for the Department's accounting, budgeting, human resource management, general services, and contracting.

⁷ Section 409.1671(1)(a), Florida Statutes.

⁸ See Exhibit A for types of services provided by CBC lead agency subcontractors.

⁹ For example, barred or suspended providers or providers under investigation for criminal conduct.

Finding No. 5: Contracts with Former Employees

When a State agency enters into an agreement with a former employee for the provision of contractual services, State law¹⁰ prohibits the State agency from paying the former employee amounts that exceed the former employee's final annual salary received from the State agency. The law provides that this limit on the contract amount is in effect for the first year after the former employee ceased performing his or her State agency employment responsibilities. The limit may be waived if the agency head determines that doing so will result in significant time or cost savings for the State. Our tests disclosed two instances in which the Department did not comply with this law. Specifically:

- Between September 9, 2007, and February 29, 2008, the Department paid \$104,698 pursuant to a contract with a former employee. The employee had retired from the Department on September 9, 2007, with an annual salary of \$62,525. The services provided by the former employee included psychological services.
- Between July 20, 2007, and February 29, 2008, the Department paid \$57,366 pursuant to a contract with an employee who had separated from the Department on July 20, 2007. At the time of separation, the employee's annual salary was \$33,513. The services provided by the former employee included psychological services.

In response to our inquiry, Department staff indicated that a waiver from the Secretary of the Department had not been requested in either of the two instances.

Recommendation: We recommend that the Department implement a contract review process to ensure compliance with the contract amount limits provided by Section 112.3185(5), Florida Statutes.

Finding No. 6: FLAIR Access

The Department maintained a FLAIR access control file that enabled the Department to limit to authorized employees access to various FLAIR components. In audit report No. 2007-115, we noted that the Department had not timely canceled FLAIR access for 18 terminated employees. It is important that when employees separate from the Department, access privileges are promptly removed to reduce the risks associated with unauthorized access.

Our current audit disclosed that the Department had implemented some corrective measures. However, our analysis of the Department FLAIR access control file again disclosed that FLAIR access remained active for employees who were no longer employed with the Department. Specifically, 13 terminated employees were included in the FLAIR access control file as of December 2007. In response to our inquiry, Department staff indicated that these instances were due to management oversight and, subsequent to our inquiry, the 13 employees' FLAIR access was canceled. The number of days that elapsed between the employees' termination and access cancellation ranged from 127 to 281 days.

Recommendation: We recommend that the Department continue its efforts to enhance the effectiveness of procedures governing the timely cancellation of employee FLAIR access upon employee termination.

Finding No. 7: Purchasing Card Cancellations

Department Purchasing Card Program User Guidelines require that purchasing cards be immediately canceled and destroyed upon an employee's termination from the Department. It is the responsibility of the terminating employee's supervisor to collect the purchasing card, cut it in half, affix it to a Cardholder Termination Form and

¹⁰ Section 112.3185(5), Florida Statutes.

forward the form to the Purchasing Card Administrator. Upon receipt, it is the Purchasing Card Administrator's responsibility to immediately cancel and complete the destruction of the card.

In audit report No. 2007-115, we noted that the Department did not always ensure that purchasing cards were timely canceled for terminated employees. In response to this finding, Department management indicated that the Cardholder Termination Form had been modified to include the date and that a log had been created to track purchasing card cancellations. In addition, Department management indicated that they planned to regularly send to the Human Resources Office a list of purchasing cardholders so that the Office could verify that the cardholders were current employees of the Department.

Despite these actions, our audit disclosed that the Department had not fully corrected the deficiencies in the purchasing card cancellation process. Specifically, our audit of the timeliness of card cancellations for 20 cardholders who terminated employment with the Department during the audit period disclosed:

- Twelve instances in which card privileges were not timely canceled upon the employee's termination. The time between employee termination and card cancellation ranged from 5 to 180 days.
- Although the Cardholder Termination Forms we tested were usually initialed and dated by Purchasing Card Administrator staff, the form had not been revised to include a space for the person submitting the form to sign and date.

The timely cancellation and destruction of purchasing cards upon an employee's termination from the Department prevents unauthorized use.

Recommendation: We recommend that the Department continue its efforts to ensure that purchasing cards are timely collected, destroyed, and canceled immediately upon an employee's termination.

Finding No. 8: Security Controls

Information technology (IT) security controls protect the integrity, confidentiality, and availability of data, IT resources, and sensitive information. During our audit, we identified certain Department security controls in the areas of user access related to the Automated Community Connection to Economic Self-Sufficiency (ACCESS) Imaging System and the Voucher Imaging System that needed improvement. Specific details of these issues are not disclosed in this report to avoid the possibility of compromising Department information security. However, appropriate Department staff have been notified of these issues.

Without adequate security controls, the integrity, confidentiality, and availability of data and IT resources may be compromised, increasing the risk that Department data and IT resources may be subject to improper disclosure, destruction, or modification.

Recommendation: The Department should implement the appropriate security controls to ensure the continued integrity, confidentiality, and availability of Department data and IT resources.

Finding No. 9: Cellular Telephones

The Department established policies and procedures related to the use of cellular telephones (cell phones). These procedures require each cell phone user to review the cell phone invoice each month and identify any personal calls. The invoice must be signed and dated by the user and returned to management within two weeks of receipt. Supervisors are also required to review the invoices for personal cell phone use.

Our tests of cell phone payments disclosed that the Department's Central Region did not perform user or supervisory review of cell phone invoices for personal usage during the audit period. Department staff indicated that Central Region management planned to implement review procedures in the 2008-09 fiscal year.

Pursuant to United States Treasury Regulations, Section 1.274-5T(e), an employee may not exclude from gross income any amount of the value of property listed in Section 280F(d)(4) of the Internal Revenue Code (IRC), unless the employee substantiates the amount of the exclusion in accordance with the requirements of Section 274(d) IRC, and United States Treasury Regulations, Section 1.274-5T. Because cell phones are listed property, their use is subject to the substantiation requirements of the United States Treasury Regulations, Section 1.274-5T(b)(6), which require employees to submit records to the Department to establish the amount, date, place, and business purpose for each business use. A notated copy of the employee's cell phone invoice is an example of such a record. When cell phone invoices are not reviewed to ascertain personal calls, compliance with United States Treasury Regulations and the IRC cannot be demonstrated.

Recommendation: We recommend that the Department take steps to ensure compliance with cell phone review policies and procedures in all locations.

MyFloridaMarketPlace

MFMP is a Web-based electronic procurement system designed to enable State agencies to procure commodities and contractual services online and electronically communicate information on purchasing activities to the State's accounting system, FLAIR. State law¹¹ designates the Department of Management Services (DMS) as the functional owner of MFMP and requires State agencies to participate in the online procurement system.

In audit report No. 2007-076 we described the results of an information technology audit of MFMP, which included deficiencies in Department controls regarding MFMP utilization and the management of attachments containing confidential information.

In this audit of the Department, we performed procedures to assess the extent to which the Department had corrected the deficiencies noted in audit report No. 2007-076. We noted, as described in finding Nos. 10 and 11, that the Department had only partially corrected these deficiencies.

Finding No. 10: MFMP Utilization

As noted in audit report No. 2007-076, Department staff indicated that initial testing of system performance, workload considerations, and workforce reductions persuaded staff that prompt payment compliance goals would not be met if payments were processed through MFMP. Thus, the Department did not begin to utilize the MFMP payment process until November 2005, and then only for two circuit offices. Some additional circuits began utilizing the process in January 2006. Department staff also reported utilizing an in-house system for approving purchase requisitions, instead of using the functionality available in MFMP.

In response to our inquiry, Department staff again reported limited payment processing in MFMP, as the Department continued to process most payments directly through FLAIR. The reasons cited by Department staff included its concerns about payment integration between MFMP and FLAIR, load capacity and system responsiveness, the labor-intensive nature of additional steps required to process payments in MFMP compared to FLAIR, and the inability to update information without canceling the applicable voucher and warrants. The Department also reported continued

¹¹ Sections 215.94(4) and 287.057(23)(a), Florida Statutes.

use of the in-house requisition system. During the audit period, the Department processed only 346 payments totaling \$144,574 through MFMP.

Recommendation: We recommend that the Department continue to consult with DMS to resolve the Department's MFMP system-related concerns.

Finding No. 11: Management of Attachments

MFMP functionality allows the storage of documents electronically as attachments to procurement records. These documents may at times contain information deemed nonpublic pursuant to various provisions of State and Federal laws. In audit report No. 2007-076, we noted that the Department had not developed written policies and procedures that specifically addressed confidential information issues within MFMP. The Department subsequently developed such written policies and procedures; however, we noted deficiencies in the design and implementation of those procedures.

Specifically, we noted that the method used by the Department to select transactions for confidential information monitoring was not sufficient to detect confidential information should it be present. The Department's procedures required Department staff to monitor a monthly sampling of 10 percent of all MFMP transactions and remove any confidential information contained in the transaction attachments or comments. However, as Department staff selected the 10 percent sample from a listing of all requisitions and purchase orders in MFMP, most of the sampled transactions did not contain attached invoices, the documents most likely to contain confidential information. For example, the 142 transactions monitored by Department staff in November 2007 included only one attached invoice. The majority of Department MFMP requisitions and purchase orders were processed for payment through FLAIR.

Recommendation: We recommend that the Department ensure that MFMP transactions with the greatest likelihood of containing confidential information are included in monitoring.

Finding No. 12: User Role Assignments

Assigning appropriate user access is an important IT security function. The Department's MFMP confidential information policy required the Department's MFMP security officer to assign user roles based on the job responsibilities stated in each user's position description. The policy also required that the security officer review user role assignments on a quarterly basis. We noted that the Department's MFMP security officer assigned user roles based on the employee's supervisor's recommendation, rather than a review of the employee's position description.

Granting user access without proper independent verification of employee job responsibilities increases the risk of inappropriate system access.

Recommendation: We recommend that the MFMP security officer assign user roles to employees based on the employees' documented job responsibilities.

People First

People First is a Statewide outsourcing initiative that encompasses a Web-based enterprisewide suite of services designed to support the management of the State's workforce through human resource administration, benefits administration, payroll administration, and staffing administration functions. State law¹² designates DMS as the functional owner of People First. In audit report No. 2007-087, we disclosed deficiencies related to the Department's payroll audits and calculations of employee leave balances.

We performed procedures to assess the extent to which the Department had corrected the deficiencies noted in audit report No. 2007-087 and noted, as discussed in Finding Nos. 13 and 14, that the Department needed to take further action to fully correct these deficiencies.

Finding No. 13: Payroll Audits

In audit report No. 2007-087, we noted that the Department had not developed written procedures for payroll audits, and that payroll audits were not being performed by Department staff. Although Department staff implemented a payroll audit process, formal written payroll audit procedures still had not been developed.

The establishment of written procedures requiring that the accuracy and completeness of both the People First data and the data from the Bureau of State Payrolls be tested is necessary to ensure that the Department payroll was accurately processed. Absent such tests, payroll errors may escape detection.

Recommendation: Due to the Department's decentralized organizational structure, we recommend that the Department establish comprehensive written payroll audit procedures to help ensure the accurate processing of payroll transactions.

Finding No. 14: Leave Balance Discrepancies

Complete and accurate records of employee leave balances are necessary to precisely track leave usage, calculate amounts due to employees for terminal leave benefits, and accurately report the State's liability for compensated absences. In audit report No. 2007-087, we noted that the People First Leave Balance Overview Screen (Overview Screen) did not always properly display or calculate employee leave balances. To address this problem, the Department established procedures to require that an audit of leave balances be conducted at the time of employee separation.

In this audit, we tested leave balance audits for 10 employees who terminated employment with the Department during the audit period and noted that the leave balances shown on the Overview Screen continued to not always agree with the Department's audit of leave balances. In one instance, the employee's annual and sick leave balances, as shown by People First, were 16.5 and 26 hours, respectively, greater than the balances determined by the Department's audit. Our tests of the Department's leave balance audits disclosed that:

- In two instances, the Department miscalculated the employee leave balance and payment errors resulted, the details of which have been provided to the Department:
 - In one instance, an employee was overpaid \$385 for sick leave.
 - In another instance, an employee went to work for another State agency and the leave balance transferred was 27.5 hours less than appropriate.

¹² Section 215.94(5), Florida Statutes.

- One of the Department's 20 circuits did not perform leave balance audits. The circuit instead relied on the Overview Screen balances when compensating employees for accrued leave.

Recommendation: In view of the known inaccuracies of the People First Leave Balance Overview Screen, the Department should require all circuits to confirm the performance of audits of leave balances prior to compensating a terminated employee for accrued leave or transferring any leave balances to another State agency.

PRIOR AUDIT FOLLOW-UP

As part of our audit, we determined that Department staff had corrected, or were in the process of correcting, the applicable findings included in audit report Nos. 2007-076, 2007-087, 2007-115, and 2007-200, unless otherwise noted above.

OBJECTIVES, SCOPE, AND METHODOLOGY

This operational audit focused on Department contract monitoring and other selected administrative activities, and included a follow-up on prior audit findings. The overall objectives of the audit were:

- To evaluate the effectiveness of established internal controls in achieving management's control objectives in the categories of compliance with controlling laws, administrative rules, and other guidelines; the economic, efficient, and effective operation of State government; the relevance and reliability of records and reports; and the safeguarding of assets.
- To evaluate management's performance in achieving compliance with controlling laws, administrative rules, and other guidelines; the economic, efficient, and effective operation of State government; the relevance and reliability of records and reports; and the safeguarding of assets.
- To determine whether management had corrected, or was in the process of correcting, all applicable deficiencies disclosed in prior audit report Nos. 2007-076, 2007-087, 2007-115, and 2007-200.
- To identify statutory and fiscal changes that may be recommended to the Legislature pursuant to Section 11.45(7)(h), Florida Statutes.

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

Our audit included examinations of various transactions, as well as events and conditions occurring during the period July 2006 through February 2008. In conducting our audit, we:

- Interviewed selected Department personnel.
- Obtained an understanding of internal controls and tested processes and procedures related to areas within the scope of the audit.
- Obtained an understanding of IT controls, assessed the risk of those controls, and evaluated whether selected general and application IT controls were in place for the following systems:
 - ACCESS Imaging System.
 - Voucher Imaging System.
 - GRANT System.

- Examined 24 cellular telephone invoices to determine whether the invoices were reviewed by employees and supervisors for appropriateness of cellular telephone use and whether charges for any noted personal usage had been reimbursed by the employee in accordance with Department policy.
- Evaluated monitoring exclusions for 96 contracts to determine whether the exclusions were consistent with Department policy.
- Evaluated the risk assessment score assigned to 30 contracts to determine whether the correct score was assigned.
- Examined monitoring plans, monitoring tools, and monitoring reports for 60 contracts to determine whether the Department monitored the contract providers in accordance with State law and Department policy.
- Examined 15 monitoring reports that contained repeat findings to determine whether the Department had taken appropriate follow-up action for the repeat findings.
- Examined monitoring documentation for 22 CBC contracts to determine whether the Department monitored the CBCs for compliance with contractual requirements regarding subcontractors.
- Examined the expenditure allocation for 20 combinations of budget entity and other cost accumulator codes allocated through the GRANT System. The examination was performed to determine whether the allocation methodology was appropriate and whether the actual expenditure allocation was in accordance with the planned allocation.
- Performed an analysis to determine whether the Department appropriately and timely resolved errors noted on GRANT System error reports.
- Examined eligibility documentation imaged for 20 public assistance cases in the ACCESS Imaging System to determine whether the documents were timely and accurately imaged.
- Evaluated management's actions taken to correct the deficiencies for applicable findings disclosed in audit report Nos. 2007-076, 2007-087, 2007-115, and 2007-200. Specifically, we:
 - Examined leave balance audits and related documentation for ten terminated employees to determine whether the employee's gross pay and payments for unused annual and sick leave at termination were properly authorized, calculated, and supported by appropriate attendance and leave records.
 - Examined payroll records for ten terminated employees to determine whether unallowable payments were made to the employee subsequent to termination.
 - Examined ten expenditure vouchers processed through MFMP to determine whether the transactions were properly authorized and documented and accurately and timely recorded in accordance with significant laws and rules.
 - Evaluated the extent of Department utilization of MFMP. The results of our survey of Department MFMP utilization will be disclosed in our operational audit report issued on the Department of Management Services.
 - Performed analyses to determine whether FLAIR access, GRANT System access, and purchasing cards were timely canceled for terminated employees.
- Performed various other procedures as necessary to accomplish the objectives of the audit.

AUTHORITY

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



David W. Martin, CPA
Auditor General

MANAGEMENT RESPONSE

In a letter dated October 30, 2008, the Department provided responses to our findings. The Secretary's letter is included at the end of this report as Exhibit B.

**EXHIBIT A
COMMUNITY-BASED CARE LEAD AGENCY
SERVICES PROVIDED BY SUBCONTRACTORS**

Circuit	CBC Lead Agency	Client Service Type														
		1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
2, 14	Big Bend Community Based Care, Inc.	X	X	X	X		X	X		X			X	X	X	
18	Community Based Care of Brevard, Inc.	X	X	X	X	X		X		X	X					
18	Community Based Care of Seminole, Inc.	X	X	X	X			X		X	X	X	X	X	X	
15	Child and Family Connections, Inc.	X	X	X	X	X	X	X		X	X			X	X	X
17	Childnet, Inc.		X	X	X	X		X		X	X	X	X	X	X	
20	Children's Network of Southwest Florida	X	X	X	X	X		X						X	X	X
4	Clay & Baker Kids Net, Inc.	X				X	X	X			X			X	X	
7	Community Partnership for Children	X	X		X			X	X	X	X		X	X	X	
9	Family Services of Metro-Orlando, Inc.	X			X			X		X				X	X	
4	Family Support Services of North Florida, Inc.	X	X	X	X					X				X		X
10	Heartland For Children	X	X	X	X	X	X	X	X	X			X	X	X	
13	Hillsborough Kids, Inc.	X		X	X		X	X		X	X	X		X	X	X
5	Kids Central, Inc.	X	X	X					X	X	X		X	X	X	X
1	Lakeview Center, Families First Network		X	X	X			X		X	X		X	X	X	
11, 16	Our Kids of Miami-Dade/Monroe, Inc.	X				X		X					X		X	X
3, 8	Partnership for Strong Families	X	X	X		X		X		X	X	X	X	X	X	
12, 6	Sarasota Family YMCA, Inc.	X	X	X	X	X	X	X	X	X		X	X	X	X	X
7	St. Johns County Board of County Commissioners															
19	United for Families, Inc.	X	X	X	X	X	X	X	X	X	X		X	X	X	

Client Service Types	
1	Case Management
2	Emergency Shelter
3	Adoption
4	Foster Care
5	Mental Health
6	Substance Abuse
7	Family Preservation
8	Protective Investigation Training
9	Residential Group Care
10	Crisis Response
11	Intake and Assessment
12	Pre-Service Training
13	Visitation
14	Family Intervention
15	Children's Medical Services

EXHIBIT B
MANAGEMENT'S RESPONSE



State of Florida
Department of Children and Families

Charlie Crist
Governor

George H. Sheldon
Secretary

October 30, 2008

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

Dear Mr. Martin:

Thank you for your October 3 letter with the accompanying preliminary and tentative findings and recommendations regarding Contract Monitoring and Other Selected Administrative Activities, for the period July 2006 through February 2008. Our responses are cross-referenced to the finding numbers that were presented in your findings.

If you have questions regarding these responses, please contact Mr. Elwood McElhaney, Comptroller, at (850) 488-4798.

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

Sincerely,

A handwritten signature in black ink, which appears to read 'George H. Sheldon'. The signature is written in a cursive, flowing style.

George H. Sheldon
Secretary

Attachment

1317 Winewood Boulevard, Tallahassee, Florida 32399-0700

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

EXHIBIT B
MANAGEMENT'S RESPONSE (CONTINUED)

DEPARTMENT OF CHILDREN AND FAMILIES
RESPONSE TO OFFICE OF AUDITOR GENERAL PRELIMINARY AND TENTATIVE
FINDINGS ON CONTRACT MONITORING AND OTHER SELECTED ADMINISTRATIVE
ACTIVITIES
OCTOBER 2008

Finding No. 1 – Department contract oversight staff did not always score contracts correctly for the annual risk assessment required for contract monitoring.

Department's Response:

The auditors found both mathematical and categorical errors during their review. However, as noted in the audit findings, only one of the thirteen scoring errors found resulted in the incorrect categorization of the provider. Enhanced quality assurance procedures have been defined in writing to help ensure that scores are correctly assigned to contracts. Human errors are inevitable, and are increasingly common during times of dwindling resources.

Finding No. 2 – Department contract oversight staff inappropriately excluded some providers from monitoring.

Department's Response:

Quality assurance procedures have been defined in writing to ensure exclusion criteria are applied consistently and correctly. The procedures have already been applied to the Fiscal Year 2008-2009 initial risk assessment. An error similar to those identified in this review of past risk assessments was identified through implementation of the new procedures, specifically application of the "short-term" exclusion to a contract that did not meet the criteria. The Department corrected the error identified.

Further, the Department concurs that it did not perform a desk review on each provider that was not reviewed on-site during the year. The Department procedures permitted use of exclusions for this purpose. While the Department's desk review and accompanying procedures will be redesigned to meet the requirements in state law, we have experienced a significant reduction in staff conducting monitoring due to administrative reductions. Our priority will remain on conducting the needed on-site visits and we will conduct as many desk reviews as resources permit.

Finding No. 3 – Department contract oversight staff did not always perform monitoring in accordance with the monitoring plan.

Department's Response:

The Department does not concur with the finding. While the Department recognizes that thorough documentation of all actions is a best practice, this level of detailed process documentation is not necessary for operationalizing a monitoring function. The

EXHIBIT B
MANAGEMENT'S RESPONSE (CONTINUED)

DEPARTMENT OF CHILDREN AND FAMILIES
RESPONSE TO OFFICE OF AUDITOR GENERAL PRELIMINARY AND TENTATIVE
FINDINGS ON CONTRACT MONITORING AND OTHER SELECTED ADMINISTRATIVE
ACTIVITIES
OCTOBER 2008

Department will encourage improved documentation of monitoring plan execution and approval of plans prior to initiation of the on-site review.

Finding No. 4: – The Department's standard tool for monitoring community-based care lead agencies did not contain all applicable criteria necessary to determine subcontractor monitoring compliance.

Department's Response:

The Department concurs that subcontracting by CBC lead agencies is an area of risk and that monitoring of associated requirements can be improved. The generic CBC subcontract monitoring tool has already been revised to include monitoring subcontract documents for presence of required elements. The oversight of CBC subcontract monitoring policies and procedures, the conduct of the required cost analysis, and the activities of conducting the subcontract monitoring including follow-up will be the responsibility of the newly created Fiscal Monitor Team.

Finding No. 5 – The Department entered into contracts with former employees and the contracts violated the contract amount limits set by Section 112.3185(5), Florida Statutes.

Department's Response:

We concur with the finding. The Department's Contract Administration office has not established a control to determine if a potential provider is a former Department employee and therefore faces a restriction in contract amount during their first year after termination. The ethics restriction is trained as part of contract manager's training; however, there are no checks in place to determine compliance. As both examples from the audit violated the statutory restriction as a result of an amendment to an original amount, the control will also need to be in place for amendments. The Department will send out a revised procedure to Contract Administrators no later than November 30, 2008.

Finding No. 6 – The Department did not always ensure that access to the Florida Accounting Information Resource Subsystem (FLAIR) was timely canceled for terminated employees.

Department's Response:

The Department concurs with the findings of the auditors that only 13 errors were found and that this is an improvement over the prior year. Our reviews have disclosed that none of the passwords in question were used for unauthorized access to FLAIR.

EXHIBIT B
MANAGEMENT'S RESPONSE (CONTINUED)

DEPARTMENT OF CHILDREN AND FAMILIES
RESPONSE TO OFFICE OF AUDITOR GENERAL PRELIMINARY AND TENTATIVE
FINDINGS ON CONTRACT MONITORING AND OTHER SELECTED ADMINISTRATIVE
ACTIVITIES
OCTOBER 2008

There is no automated link between FLAIR and the People First System that contains human resources transactions such as employee terminations. FLAIR automatically inactivates passwords that have not been used for 90 days. The Department has requested an enhancement to FLAIR that would allow the automated deletion of passwords for terminated employees as they appear in People First. Until that enhancement is implemented, the Department will continue to rely on a manual process for this function, and will strive for continued improvement.

Finding No. 7 – The Department did not always ensure that purchasing cards were timely canceled for terminated employees.

Department's Response:

Of the twelve instances cited by the auditors for failure to cancel purchasing cards of terminated employees in a timely manner, 4 of the cards were actually cancelled within 5 days, while another 2 were cancelled within 8 days. Only one of the cards was active for 180 days. While these cards were, in fact, active after the termination of the employees, we take issue with the auditor's comments that they were not cancelled in a timely manner. In a decentralized organization such as ours, time must be allowed for the transfer of terminated cards from the field offices to Tallahassee.

The Department will continue to stress in training the requirements of the DCF Purchasing Card Program User Guidelines that it is the responsibility of the terminating employee's supervisor to collect the purchasing card, cut it in half, affix it to a Cardholder Termination Form and forward the form to the Purchasing Card Administrator.

Finding No. 8 – The Department should improve certain security control features related to the Automated Community Connection to Economic Self-Sufficiency (ACCESS) Imaging System and the Voucher Imaging System.

Department's Response:

The Department concurs with the findings relating to the ACCESS Imaging System. Our application and security teams have been meeting to determine the best approach to enhance the security features of the ACCESS Imaging System. The final recommendation will enhance the security controls and ensure the continued integrity, confidentiality, and availability of Department data and IT resources.

The Department will discuss the recommended changes to the Voucher Imaging System with our vendor and make a determination as to whether the recommended changes would be cost-beneficial on this inquiry-only system.

EXHIBIT B
MANAGEMENT'S RESPONSE (CONTINUED)

DEPARTMENT OF CHILDREN AND FAMILIES
RESPONSE TO OFFICE OF AUDITOR GENERAL PRELIMINARY AND TENTATIVE
FINDINGS ON CONTRACT MONITORING AND OTHER SELECTED ADMINISTRATIVE
ACTIVITIES
OCTOBER 2008

Finding No. 9 – Department staff did not always follow established policies and procedures regarding monitoring of cellular telephone usage.

Department's Response:

As stated in Children and Families Operating Procedure 70-6, regarding unauthorized use of state owned or leased cellular phones, Regional Support Services Directors are responsible for distributing to unit supervisors copies of the Department of Management Services' (DMS) SunCom printouts of message detail, local telephone company invoices, state area cellular telephone invoices and state telephone credit card invoices as they are received. The auditors found that this was not done in one of our six regions. We will reiterate this procedure with Regional Administration and monitor to ensure compliance. Headquarters' Financial Management and General Services will also distribute procedures for using an intranet-based program to review billings. This system is uploaded with DMS phone billing and calling card information on a monthly basis.

Finding No. 10 – The Department did not fully utilize all the functional capabilities available in the MyFloridaMarketPlace (MFMP) System and continued to rely on workarounds and alternative systems in lieu of MFMP functionality.

Department's Response:

The Department currently has systems in place that exceed the functionality of MFMP. We are not willing to sacrifice those efficiencies in order to fully implement MFMP. We have been in constant contact with the MFMP Team to discuss the best utilization of the system. Our most recent meeting was held 9/11/08 to see where enhancements may be made to MFMP to best meet the needs of DCF.

Finding No. 11 – The Department's procedures for monitoring MFMP attachments for confidential information needed improvement.

Department's Response:

The Department does not concur with the finding, but will look for ways to increase the number of invoices reviewed. In the Department's current sampling process for review and audit of confidential information in MFMP, we select a large number of transactions related to client services and other object codes that will have the greatest likelihood of containing confidential information, based on DCF business practices. For example, during our review in August 2008, 210 of 769 transactions (27.3%) were selected based on these criteria. This far exceeds the 10% requirement as stated in our security procedure.

EXHIBIT B
MANAGEMENT'S RESPONSE (CONTINUED)

DEPARTMENT OF CHILDREN AND FAMILIES
RESPONSE TO OFFICE OF AUDITOR GENERAL PRELIMINARY AND TENTATIVE
FINDINGS ON CONTRACT MONITORING AND OTHER SELECTED ADMINISTRATIVE
ACTIVITIES
OCTOBER 2008

This finding is also exacerbated by the fact that very few invoices are processed in MFMP. During the 4th quarter of 2007-08, 3,137 direct orders were processed in MFMP. Only 45 of those transactions were actually invoiced in MFMP. As system usage in MFMP increases in the area of invoice processing, the review sample for confidential information will contain a higher percentage of invoices.

Finding No. 12 – The Department's procedures for assigning MFMP user roles needed improvement.

Department's Response:

The Department concurs and will develop procedures for all future user additions and role changes to incorporate review of the job description and maintenance of this on file.

Finding No. 13 – The Department's payroll audit procedures needed improvement.

Department's Response:

The Department concurs with the Auditor General's finding. The Department's payroll audit process is decentralized, distributing the responsibility for payroll auditing to various headquarters, region/circuits, and/or institutional Human Resources personnel. The outcome of this approach has been a lack of consistency and no uniform Departmental standards for payroll auditing. In response to the Auditor General's findings and in an effort to reduce errors in payroll processing Department-wide, a work group will be established to develop official written audit procedures to ensure accurate processing of payroll transactions. In addition, the Department is currently evaluating the overall effectiveness of the payroll structure and processes, including payroll audits. Recommendations for improvement will be presented to the Human Resources Director and Executive Leadership by the end of the year.

Finding No. 14 – The Department did not always correctly calculate leave balances for employees who had separated from the Department.

Department's Response:

The specific leave balance discrepancies identified in the audit findings have been reviewed and corrected. However, the audit uncovered broader inconsistencies in how leave balances are audited throughout the Department. Currently, it is the Department's practice to conduct leave audits on all employees separating from the agency before an annual or sick leave payment is processed. The discrepancy occurs in the level of reliance a particular payroll unit places on the leave balance data in the People First System. Although we rely on the People First System to be accurate, in order to reduce

EXHIBIT B
MANAGEMENT'S RESPONSE (CONTINUED)

DEPARTMENT OF CHILDREN AND FAMILIES
RESPONSE TO OFFICE OF AUDITOR GENERAL PRELIMINARY AND TENTATIVE
FINDINGS ON CONTRACT MONITORING AND OTHER SELECTED ADMINISTRATIVE
ACTIVITIES
OCTOBER 2008

potential errors, a more detailed leave audit is necessary to uncover discrepancies in the event a manual process/adjustment was required. Consequently, the Department will immediately begin reviewing and modifying the current procedure and practice, as appropriate, to eliminate the potential for future leave balance calculation errors.

