STATE OF FLORIDA
DEPARTMENT OF JUVENILE JUSTICE

INTEROFFICE MEMORANDUM

DATE: January 9, 2015

TO: Christina K. Daly, Secretary

FROM: Robert A. Munson, Inspector General RAM

SUBJECT: Internal Audit's Six-Month Follow-Up Report – *Auditor General's Operational Audit No. 2015-002, Contract and Grant Management Processes at Selected State Agencies*

In July 2014, the Auditor General (AG) released Report Number 2015-002, *Contract and Grant Management Processes at Selected State Agencies*. This report focused on the contract and grant management processes at the Department of Children and Families (DCF), Department of Financial Services (DFS), Department of Juvenile Justice (DJJ) Department of Management Services (DMS), Department of Health (DOH), and Department of Transportation (DOT). Florida statute requires that the Office of the Inspector General conduct six-month follow-up reports for all Auditor General Reports. The statute also requires that a copy of the six-month follow up be filed with the Joint Legislative Auditing Committee (JLAC).

In December 2014, the Bureau of Internal Audit conducted six-month follow-up activities for the aforementioned audit. Based on our follow-up review, the Department has implemented most of the corrective action plans. One remaining activity pertaining to contract manager training is pending implementation due to limited class availability. A copy of the Status of Implementation is attached for your review.

As all issues have been either fully addressed or progress has been made in developing controls and implementing corrective action plans, we determined no further follow-up is necessary. If you have any questions, please feel free to contact Michael Yu, Audit Director at 717-2468.

RM/km

Attachment

Cc: Fred Schuknecht, Chief of Staff
Amy Johnson, Director of Program Accountability
Melinda M. Miguel, Chief Inspector General, Executive Office of the Governor
David W. Martin, CPA, Auditor General
Kathy DuBose, Director, Legislative Auditing Committee.

Department of Juvenile Justice
OIG Bureau of Internal Audit
Follow-Up On Auditor General Review Number 2015-002
"Contract and Grant Management Processes At Selected State Agencies"
Status of Corrective Actions
As of January 2015

Contract Management Processes		
Finding 2: Some State agencies did not always document that cost analyses were completed prior to executing contracts. Sixteen Department of Juvenile Justice (DJJ) contracts were reviewed. For two DJJ contracts a cost analysis was not available and a third was completed 109 days after the contract was executed.		
Auditor General Recommendations	**Agency Response**	**Status of Implementation**
The Department management should ensure that, for contracts awarded on a noncompetitive basis, documented cost analyses are completed prior to contract execution and in accordance with State law.	For contracts awarded on a noncompetitive basis, the Bureau of Contracts' Contract Administrator will ensure that documented evidence of a cost analysis is provided and recorded in the Contract Tracking System (CTS) prior to contract execution and in accordance with State law.	The Office of Program Accountability, Bureau of Contracts has implemented the use of a "Contract File Content Checklist. All items on the checklist must be completed prior to the final filing. Please see Attachment A: "Contract File Content Checklist" and note that the cost analysis requirement is located under Tab 4.
Finding 4: Some State agencies did not always ensure that contracts included statutorily required provisions. For thirteen DJJ contracts, twelve did not include a provision specifying that renewal costs may not be charged. Two also did not include a statement of the vendor's rights and the state's responsibility with regard to prompt payment of invoices. One contract did not include a provision specifying that bills for fees or other compensation for services or expenses be submitted in detail sufficient for a proper pre-audit and post-audit.		
Auditor General Recommendations	**Agency Response**	**Status of Implementation**
The Department management should ensure that the provisions specified in State law are appropriately included in all applicable contracts.	The Department Contract Administrators are responsible to ensure that the provisions specified in State law are appropriately included in all applicable contracts. As contracts are written or amended, they are reviewed to ensure that they contain the required language. Contracts are amended, as necessary, to include these required provisions. Contract templates were modified to ensure these provisions are included in all new and future contracts.	Contract templates were modified to ensure required provisions were appropriately included in all applicable contracts prior to the conclusion of the audit and required no further action. As noted by Attachment "B," contract templates are stored on the Department's "K" drive.

Finding 5: State agencies did not always document that contract managers received, or timely received, required training for accountability in contracts management.		
Auditor General Recommendations	**Agency Response**	**Status of Implementation**
The Department management should ensure that all contract managers attend the required Department of Financial Services (DFS) training for accountability in contracts management in accordance with State law and DFS guidelines.	As acknowledged in the report, DJJ has experienced difficulty in complying with the required training due to the availability of courses provided by DFS. DJJ will continue to work with DFS to ensure all contract managers are trained in the required course.	As a result of recently release CFO 2014-15 memorandum #4 by DFS, most of the Department’s contract managers are due to be trained. Department staff is working to register managers for upcoming training but are still struggling with limited class availability. To date, three staff are scheduled to attend training in the 3rd Quarter of 2015 (date not yet specified) and several managers are scheduled to attend training in the 4th Quarter.
Finding 6: State agencies did not always appropriately document that contract managers were independent of, and had no conflict of interest in, the entities whose contracts they were assigned to manage.		
Auditor General Recommendations	**Agency Response**	**Status of Implementation**
The Department management should ensure that documentation is maintained to demonstrate that contract managers are independent of, and have no conflict of interest in, the entities whose contracts they are assigned to manage.	DJJ Contract Managers now include a conflict of interest questionnaire in each contract that they manage. This is verified by the contract management supervisor.	This recommended change was implemented prior to the conclusion of the audit and required no further action.

Finding 7: State agencies did not always document that sufficient contract monitoring had been performed in accordance with Department of Financial Services (DFS) and applicable State agency guidelines.		
Auditor General Recommendations	**Agency Response**	**Status of Implementation**
The Department management should ensure that contract monitoring activities are appropriately performed and documented in accordance with DFS guidance and applicable agency policies and procedures.	DJJ completed a Department-wide risk assessment instrument in January 2014, and began use of that tool in April, 2014. Additionally, DJJ has standardized monitoring processes and procedures and is nearly complete with including all DJJ contracts/programs in its automated monitoring workflow system that will alert managers to outstanding monitoring items. This should be complete by September, 2014.	In April 2014, an automated monitoring workflow system, Program Monitoring and Management (PMM) was piloted in South Florida. The PMM system was implemented statewide in August 2014. Please see Attachment C: a screenshot of the PMM system. Effective August 28, 2014, the Department implemented Policy FDJJ-2000 to provide policy, procedures, and guidelines on appropriate contract management methods and processes, and establish compliance monitoring for all services and programs (contracted or state operated) within DJJ. Please see Attachment D: "Department Policy FDJJ-2000."
Grant Management Processes		
Finding 9: State agencies did not always have sufficient documentation to appropriately demonstrate that grant managers were independent of, and had no conflict of interest in, the grantees whose grants they were assigned to manage.		
Auditor General Recommendations	**Agency Response**	**Status of Implementation**
The Department management should ensure that grant monitoring activities and grant manager independence are appropriately documented and that the monitoring results are timely communicated to the grantee.	DJJ Grant Managers now include a conflict of interest questionnaire in each grant that they manage. This is verified by the grant manager's supervisor.	This recommended change was implemented prior to the conclusion of the audit and required no further action.