DATE: July 17, 2012

TO: David E. Wilkins
Secretary

FROM: Christopher T. Hirst
Inspector General

SUBJECT: Evaluating Compliance with Requirements for Lead Agency Subcontract Monitoring

Attached is the assurance report entitled Evaluating Compliance with Requirements for Lead Agency Subcontract Monitoring. This audit was conducted in accordance with the Office of Internal Audit’s fiscal year 2011-12 annual work plan. The audit focused primarily on lead agencies’ development of written subcontract monitoring procedures and compliance with related State and Federal audit requirements.

The Department contracts with Community-Based Care Lead Agencies that often subcontract with specialized providers to deliver vital child welfare services for vulnerable children and families. The successful performance of subcontracts is critical to the Department’s mission; therefore, monitoring subcontracts to ensure quality performance is essential. The audit disclosed that the subcontract monitoring procedures did not encompass all state and Federal audit requirements. Both the Department and lead agencies should strengthen controls to improve the quality and comprehensiveness of subcontract monitoring procedures, as well as the actual monitoring process.

The report offers the following recommendations:

The Department should:

- Provide lead agencies a basic structure for subcontract monitoring procedures.
- Require the development of written subcontract monitoring procedures for the CBC Readiness Assessment to ensure completion before the effective date of the contract.
- Ensure that all subcontracts include the Financial and Compliance Audit Attachment.
The Lead Agencies should:

- Strengthen subcontractor compliance with single audit requirements immediately by implementing guidance detailed in the report when reviewing CPA\(^1\) audits. Furthermore, this guidance should be added to lead agency subcontract monitoring procedures.
- Require lead agency monitoring staff to attend training on financial and compliance audit requirements.
- Document subcontractors' submission of Florida Single Audit reports to the Auditor General or receipt of certifications that an audit was not required.
- Ensure that amended and new subcontracts include the May 6, 2011 revised Financial and Compliance Audit language.

In their response, the Department's Office of Child Welfare included feedback from the Community-Based Care Lead Agencies obtained through each Region's contract manager. All parties generally concurred with the assurance report's recommendations and submitted a consolidated corrective action plan to address the findings in the report.

If you have questions, concerns, or comments, please let me know.

Attachment

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\(^1\) Certified Public Accountant