

Mission:

To protect, promote & improve the health of all people in Florida through integrated state, county & community efforts.



Rick Scott
Governor

John H. Armstrong, MD, FACS
State Surgeon General & Secretary

Vision: To be the Healthiest State in the Nation

March 3, 2016

John H. Armstrong, MD, FACS
Surgeon General & Secretary
4052 Bald Cypress Way
Tallahassee, Florida 32399

Dear Dr. Armstrong:

Pursuant to Section 20.055(6)(h), *Florida Statutes*, our office is to update you on the status of corrective actions taken since September 3, 2015 when the Office of the Auditor General published its Report Number 2016-014, *Department of Health, Biomedical Research Program Prior Audit Follow-Up*. Management's assessment of the current status of corrective actions is included in the enclosed document.

We are pleased to report that at six months after publication, management has completed all corrective actions made in response to recommendations from the Office of the Auditor General.

If I may answer any questions, please let me know.

Sincerely,

James D. Boyd, CPA, MBA
Inspector General

JDB/mhb
Enclosure

cc: Kathy DuBose, Staff Director, Joint Legislative Auditing Committee
Melinda M. Miguel, Chief Inspector General, Office of the Governor
Michele Tallent, Interim Deputy Secretary for Administration
Michael J. Bennett, CIA, Director of Auditing

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Status of Corrective Action Plans



Report Number: 2016-014
 Report Title: *Biomedical Research Program Prior Audit Follow-Up*
 Report Date: September 3, 2015
 Status As Of: March 3, 2016

No.	Finding	Recommendation	Corrective Action Plan	Status of Corrective Action Plan
Grant Management				
1.1	As similarly noted in our report No. 2014-025, the Biomedical Research Program (Program) did not ensure that grant recipients were appropriately monitored and in some instances, paid amounts to recipients that exceeded the amounts expended by the recipients.	We recommend that Program management ensure that appropriate monitoring of grant recipients is performed. Such monitoring should include verifying that recipient financial records support reported expenditures.	<p>Grant management was performed by an external vendor prior to October 2013. To reduce administrative expenditures and increase programmatic efficiencies, the Program assumed the role of grant management.</p> <p>The Program has awarded 16 grants since June 2014.</p> <p>Program staff monitor these grants and associated deliverables through established procedures that include reviewing each grantee's <i>Quarterly Progress Summary Report</i>, <i>Quarterly Financial Status Report</i>, quarterly "Fixed-Payment" invoice, and <i>Quarterly Expenditure Summary Report</i>.</p> <p>The Program established the following procedures and steps to monitor grant awards:</p> <ul style="list-style-type: none"> The <i>Quarterly Progress Summary Report</i> is reviewed and approved by the grant manager and unit supervisor if sufficient research progress indicated is aligned with the expectations outlined in the Terms and Conditions (Terms) of the research grant and the project proposal outlined in the application for grant funding. If sufficient progress has not been made, the grantee is notified in writing that based on the lack of progress made, the quarterly invoice will not be processed for payment. 	Completed.

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			<ul style="list-style-type: none"> • The <i>Quarterly Financial Status Report</i> is reviewed and approved by the grant manager and unit supervisor if the reported expenditures are aligned with the most recently approved grant budget. If the report is not aligned with the approved budget, the grantee is notified in writing the quarterly invoice will not be processed for payment. • Each quarterly “Fixed-Payment” invoice is reviewed and approved by the grant manager and unit supervisor if the invoice contains the following fields: <ul style="list-style-type: none"> ○ Invoice number and date ○ Grant number ○ Remit address ○ Fixed payment amount or reconciled amount if final payment. ○ Period of service ○ Signed by grantee If the invoice does not contain all of the required fields or correct information, the grantee is notified in writing of any correction needed in order to process payment. • The <i>Quarterly Expenditure Summary Report</i> (QESR). This was an added deliverable to the Terms in April 2015 for fiscal year 2014-2015 grants and all future grant awards. This was added to ensure the grantee’s financial records support the reported expenditures. The QESR will provide a detailed description and supporting documentation of expenditures by budget category for each quarter of the grant. The QESR will be reviewed and reconciled against the approved grant budget by the grant manager. After the grant manager reviews and approves the QESR, it is then routed to the Director of the Public Health Research Unit for review and approval. This review will begin upon the receipt the first quarterly invoice of fiscal year 2015-2016. 	

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			<p>Additionally, we perform the following financial monitoring of grant expenditures:</p> <ul style="list-style-type: none"> • The Program created a desk monitoring tool that is used on a monthly basis by the Grant Manager to ensure grant files contain all the required documentation. This review is signed by the Grant Manager and the Unit Supervisor. If documentation is missing, the necessary steps are taken to meet all requirements. • The Grant Manager and Unit Budget Coordinator performs a monthly spending plan reconciliation to ensure all grant funds are recorded properly. If any adjustments are needed, correction requests are prepared and submitted to the Budget Office for processing. The Program staff tracks until successful completion. 	
1.2	<p>As similarly noted in our report No. 2014-025, the Program did not ensure that grant recipients were appropriately monitored and in some instances, paid amounts to recipients that exceeded the amounts expended by the recipients.</p>	<p>We recommend that Department of Health (Department) management enhance grant payment procedures to require that all payments made in excess of amounts expended by grant recipients be supported by documentation demonstrating the purpose for such payments.</p>	<p>Prior to Fall 2013, grantees received the full grant award amount based on the quarterly fixed payment schedule. This often resulted in an overpayment of funds, requiring a refund from the grantee. In an effort to prevent an overpayment of funds, the Program revised the Terms in the Fall of 2013 that requires the final invoice amount to be based on a final grant reconciliation of expenditures.</p> <p>The final invoice amount is based on a reconciliation of all costs associated with the project not to exceed the fixed amount indicated in Attachment II of the Terms. The grantee's final invoice will be adjusted and reduced for any disallowed expenditures, funds unaccounted for due to non-submission of required deliverables, or other unused grant funds at the end of the grant period. This method ensures that at the completion of the grant, the grantee is only paid for their approved expenditures during the life of the grant. If the grantee's expenditures indicate that they owe the Department a refund – the final payment will not be made and a refund check will be issued for the difference.</p>	<p>Previously completed.</p>

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Grant Awards				
2	<p>Program grant applications and agreements could be enhanced to specify that grant recipients are to adhere to the policies and procedures outlined in the Department's Grant Administration Manual (Manual). In addition, the Department did not always ensure that Program grant agreements were properly reviewed and approved prior to execution. Similar instances were noted in our report No. 2014-025.</p>	<p>We recommend that Department management revise the standard Program grant applications and agreements to specifically require recipients to adhere to the Manual and ensure that Program grant agreements are properly reviewed and approved prior to execution.</p>	<p>Program staff will edit the Terms of grants for new grant awards to include language that requires grant recipients to adhere to the Manual. Once edits are approved with the Office of General Counsel, the Manual will be sent electronically with the Terms and Conditions. This process will be effective for the next round of grant awards, which will be approximately February 2016.</p> <p>Templates for the Terms have been pre-approved in writing by the Office of General Counsel before they are sent to grant recipients. Program staff include this approval when the Terms are routed for internal signature and documented in the grant file. This process began during the last funding competition and will continue for future funding competitions.</p>	<p>Completed.</p> <p>Terms continue to be pre-approved in writing by the Office of General Counsel before they are sent to grant recipients. Supporting documentation of this approval is filed in the grant file along with an electronic copy saved on the Program shared drive. Additionally, Program staff includes a copy of the Office of General Counsel approval when routing the Terms for execution.</p> <p>Program staff updated and finalized the Manual for use by grantees. The Manual will be sent to the Principal Investigators and Sponsored Research Officials with the executed fiscal year 2015-2016 Terms. All required forms are now included in the Manual to consolidate forms and information, facilitate understanding and reduce errors. These agreements are projected to be executed by March 1, 2016.</p> <p>Effective Fiscal Year 2016-17, the Manual will become an attachment to the Terms for a seamless, long-term Program reference and to provide further instruction.</p>
Coding and Timeliness of Expenditures				
3.1	<p>As similarly noted in our report No. 2014-025, Department controls did not always ensure the accurate recording of Program expenditures. Additionally, Department controls were not always adequate to ensure that Program invoices were timely paid.</p>	<p>We recommend that Department management enhance procedures to ensure the accurate coding of Florida Accounting Information Resource (FLAIR) expenditure transactions, in compliance with the Department of Financial Services' guidance.</p>	<ol style="list-style-type: none"> 1. The Bureau of Finance and Accounting's (F&A) Disbursements section will provide Prompt Payment and Date Stamp training to Program staff to ensure invoices are submitted to the Disbursements section in a timely manner for processing. The training is scheduled for August 25, 2015. 2. F&A's Travel section will provide training on the proper use of out-of-state versus in-state object codes. The training will be conducted by the Travel section's supervisor and is scheduled for August 27, 2015. 3. F&A's Contracts section will provide additional training on Prompt Payment, and the proper use of transaction dates to ensure all contract invoice payment dates are correctly recorded. The training will be conducted by the Bureau's Quality Assurance section and is scheduled for August 28, 2015. 	<p>Completed.</p> <p>F&A staff provided all trainings to Program staff as was described in the Corrective Action Plan.</p>

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3.2	As similarly noted in our report No. 2014-025, Department controls did not always ensure the accurate recording of Program expenditures. Additionally, Department controls were not always adequate to ensure that Program invoices were timely paid.	We recommend that Department management take steps to ensure that all Program payment documentation is timely approved in accordance with Department policies and procedures.	<p>Program staff have taken action to ensure invoices are processed timely in accordance with Department policies and procedures:</p> <ul style="list-style-type: none"> • Date stamping of all deliverables and invoices was implemented in April 2015. • After review of deliverables and invoices, should any corrections be needed, Program staff contacts the grantee in writing with required revisions before payment can be processed. Once revised deliverables and invoices are received, they are date stamped and the invoice is processed for payment in accordance to Department policies and procedures. The e-mail correspondence to the grantee will be attached as supporting documentation with the invoice packet. • A new internal <i>Invoice Review Routing Form</i> was created in July 2015. This form is used to ensure all Program payment documentation is timely approved in accordance with prompt payment policies and procedures. The form reflects the number of invoices for review, date invoices were received, and prominently displays the latest date the invoice and deliverables must be approved by in order to meet prompt payment requirements. • Program staff will attend a training on prompt payment compliance conducted by the Department's Bureau of Finance and Accounting on August 25, 2015. 	Previously completed.