



## DEPARTMENT OF CHILDREN AND FAMILIES

### OFFICE OF INSPECTOR GENERAL INTERNAL AUDIT

*Enhancing Public Trust in Government*



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Secretary

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*Projects A-0809-205 and A-0809-206*

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### ***Assurance Report***

## ***Recovery Act: Initial Implementation***

### **Summary**

The American Recovery and Reinvestment Act of 2009 (Recovery Act) was signed into law in February 2009. The goals of the Act are to promote economic recovery by saving and creating jobs, investing in long-term economic growth, and fostering accountability and transparency in government spending.<sup>1</sup>

Florida state agencies, cities, counties, federal contractors and others anticipate receiving over \$15 billion in Recovery Act funds. The funds assist with social services, healthcare, education, infrastructure, tax relief, and other aid. The Department of Children and Families (DCF) is expected to receive over \$165 million in Recovery Act funding for its Homelessness, Domestic Violence, Automated Community Connection to Economic Self-Sufficiency (ACCESS), and Family Safety programs.<sup>2</sup>

This report provides the results of the first in a series of Internal Audit projects designed to align with expectations for accountability and transparency of Recovery Act funds. This initial project focused on the internal controls for managing Recovery Act grants for the Homelessness and Domestic Violence programs. This report summarizes the results of our activities and observations.

We found that DCF generally has adequate internal controls in place for implementing the Homelessness and Domestic Violence Recovery Act funded grants. We identified some opportunities for improvement and recommend management address these opportunities by examining certain subgrant management processes, updating subgrant management and monitoring procedures, and developing Recovery Act specific protocols.

<sup>1</sup> [http://www.recovery.gov/About/Pages/The\\_Act.aspx](http://www.recovery.gov/About/Pages/The_Act.aspx).

<sup>2</sup> DCF anticipates receiving over \$165 million based on financial projections as of December 31, 2009.

## Background

### The Recovery Act

On February 17, 2009, President Obama signed the Recovery Act into law. The Act has three main goals: create and save jobs, promote economic activity and invest in long-term economic growth, and foster unprecedented levels of accountability and transparency in government spending. The purpose of the Act is:

- (1) To preserve and create jobs and promote economic recovery.
- (2) To assist those most impacted by the recession.
- (3) To provide investments needed to increase economic efficiency by spurring technological advances in science and health.
- (4) To invest in transportation, environmental protection, and other infrastructure that will provide long-term economic benefits.
- (5) To stabilize state and local government budgets, in order to minimize and avoid reductions in essential services and counterproductive state and local tax increases.<sup>3</sup>

During three budget years, Florida state agencies, cities, counties, federal contractors and others anticipate receiving over \$15 billion in Recovery Act funds. The funds provide assistance with social services, healthcare, education, infrastructure, tax relief, and other aid.<sup>4</sup>

### Florida Office of Economic Recovery

DCF Deputy Secretary Don Winstead was appointed as Special Advisor to the Governor for the implementation of the Recovery Act in Florida. Mr. Winstead leads the Florida Office of Economic Recovery, a central state office created to:

- Track Recovery Act dollars flowing to the state.
- Accelerate the movement of the dollars into the state's economy.
- Establish effective communication with federal and state agencies.
- Inform the public and the Florida Legislature about the use of Recovery Act funds.
- Measure progress of the recovery effort.
- Ensure recipients of the funding are aware of federal requirements.<sup>5</sup>

### DCF Recovery Act Allocation

It is anticipated that DCF will receive over \$165 million in Recovery Act funding for its Homelessness, Domestic Violence, ACCESS and Family Safety programs. This report focuses on Recovery Act grants for the Homelessness and Domestic Violence programs. We selected these two grants based on the extensive Recovery Act reporting requirements that are not applicable to the other programs.<sup>6</sup>

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<sup>3</sup> American Recovery and Reinvestment Act of 2009, Public Law 111-5.

<sup>4</sup> Additional information about Florida's Recovery Act allocation may be found at the following Internet website: <http://flarecovery.com>.

<sup>5</sup> Additional information about the Florida Office of Economic Recovery and the status of Recovery Act funded projects may be found at the [flarecovery.com](http://flarecovery.com) website.

<sup>6</sup> Section 1512 of the Recovery Act requires quarterly reporting for certain types of funding. The reporting requirements do not apply to funding received through entitlement or other mandatory programs, except as specifically required by Executive Office of the President, Office of Management and Budget.

### Homeless Prevention and Rapid Re-Housing Program (HPRP)

The DCF Office on Homelessness received a Recovery Act funded grant in July 2009 from the U.S. Department of Housing and Urban Development (HUD) in the amount of \$21,507,109.<sup>7</sup> The funds are to be used to implement the HPRP, which is HUD's new program for providing rental assistance, housing relocation and stabilization services, and other activities for homelessness prevention, and rapid re-housing of persons who have become homeless.<sup>8</sup>

### Recovery Services, Training, Officers and Prosecutors (STOP) Violence Against Women Formula Grant Program

In May 2009, the DCF Office on Domestic Violence was awarded a Recovery Act formula grant from the U.S. Department of Justice (DOJ) Office on Violence Against Women (OVW) in the amount of \$6,976,652.<sup>9</sup> The funds are to be used to enhance OVW's existing STOP Violence Against Women program. The STOP program promotes a coordinated, multidisciplinary approach to enhancing advocacy and improving the criminal justice system's response to violent crimes against women. It encourages the development and improvement of effective law enforcement and prosecution strategies to address violent crimes against women, and the development and improvement of advocacy and services in cases involving violent crimes against women.<sup>10</sup>

## **Internal Controls**

A robust system of internal control is a critical component of successful implementation of Recovery Act funded programs. Effective internal controls can help ensure funds are used for their intended purpose and ensure requirements of the Recovery Act are met. Internal control consists of five key elements: control environment, risk assessment, control activities, information and communication, and monitoring.<sup>11</sup>

### Control Environment

The control environment should create a culture of accountability throughout the organization. Some of the elements of the control environment include personnel qualifications, training, and management's approach to accountability. The Recovery Act requires unprecedented efforts to provide transparency and accountability of expenditures. For example, the Act requires the U.S. Government Accountability Office (GAO) to conduct bimonthly reviews of the use of Recovery Act funds. Florida is one of 16 states and the District of Columbia that the GAO will follow over the next few years to provide an ongoing analysis of the use of Recovery Act funds. The Act also requires

<sup>7</sup> HUD grant number S-09-DY-12-0001.

<sup>8</sup> American Recovery and Reinvestment Act of 2009, Public Law 111-5.

<sup>9</sup> DOJ award number 2009-EF-S-0043.

<sup>10</sup> [http://www.ovw.usdoj.gov/stop\\_grant\\_desc.htm](http://www.ovw.usdoj.gov/stop_grant_desc.htm).

<sup>11</sup> Committee of Sponsoring Organizations of the Treadway Commission, *Internal Control – Integrated Framework*, (American Institute of Certified Public Accountants:1992).

certain recipients of the funds to provide quarterly reports to the federal government, the results of which are made transparent on the Recovery.gov website.<sup>12</sup>

To provide oversight of DCF's implementation of the Recovery Act, a management team of Financial Management and Program Office staff with extensive work experience was formed. The team meets periodically to discuss the latest guidance provided by the federal government and the Office of Economic Recovery, and to discuss the progress of the Recovery Act funded programs.

The Office on Homelessness specifically hired staff with experience in programs for the homeless to assist with implementation of the HPRP grant. HPRP subgrants were awarded to providers throughout the state. The subgrants are managed locally by contract managers assigned to the various DCF regions throughout the state under the leadership of the regional directors and the Office of the Assistant Secretary for Operations.

The Office on Domestic Violence is making use of existing resources, including staff with extensive experience, to oversee Recovery Act funds. DCF employees responsible for managing Domestic Violence contracts and subgrants are assigned to a centralized contract management unit under the direction of the Office of the Assistant Secretary for Programs.

Particularly during the early phase of implementation, DCF staff participated in a variety of Recovery Act training opportunities provided by the Executive Office of the President, Office of Management and Budget (OMB), DOJ, HUD, and the Florida Office of Economic Recovery. Information collected from training and from other federal guidance is communicated by the Offices on Homelessness and Domestic Violence to contract managers and providers, mainly in the form of periodic conference calls and electronic mail.

The Recovery Act includes extensive whistle-blower protections and requirements for reporting fraud, waste and abuse of the funds. The DCF Office of Inspector General (OIG) Investigations Unit developed a web-based training to emphasize whistle-blower protections and reporting requirements to providers and DCF staff. The training addresses topics such as: the role of the Office of Inspector General, responsibilities for transparency and accountability for Recovery Act funds, mandatory reporting, and whistle-blower protections.<sup>13</sup>

### Risk Assessment

Internal control should provide for an assessment of the risks that an organization faces from both external and internal sources. Risk assessment involves the identification and analysis of risk factors that may negatively impact the ability to achieve objectives. In this section we describe broader risks associated with the two Recovery Act funded grants, HPRP and Recovery STOP. More detailed information about risk is provided in

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<sup>12</sup> Recovery Act data for Florida state agencies is also available at the following website: <http://flarecovery.com/documents>.

<sup>13</sup> The Recovery Act training presentation developed by the OIG Investigations Unit may be found at the following website: <http://www.dcf.state.fl.us/admin/ig/>.

the Control Activities, Information and Communication, and Monitoring sections of this report.

DCF is accountable to many different stakeholders, not only in the state of Florida, but also at a national level as a recipient of federal funds. DCF is subject to review by a variety of external entities, including the State of Florida Auditor General, the Florida Legislature's Office of Program Policy Analysis and Government Accountability (OPPAGA), various federal agencies, and others. The agency is also subject to review by the OIG Internal Audit Unit. In our review of recent reports, we were unable to identify any open findings that negatively impact implementation of the two Recovery Act funded grants.

Another source of information on risk is the Single Audit report. States, local governments and nonprofit organizations expending over \$500,000 in federal awards in a year are required to obtain an audit in accordance with the requirements of the Federal Single Audit Act and OMB Circular A-133.<sup>14</sup> The DCF Single Audit Unit provides accountability in the contracting process by facilitating, coordinating, and following-up to ensure compliance with Single Audit requirements, primarily through the review of audits from contracted providers. A Contract Directive for Administration (CDA)<sup>15</sup> was released that provides guidance on the Recovery Act in relation to Single Audit requirements for DCF contracts. The CDA includes a revised contract attachment containing Single Audit requirements that must be included in Recovery Act funded contracts.

HPRP and Recovery STOP have inherent risks related to program complexity that create a risk of funds not being used for authorized purposes or a risk of failure to meet program objectives. HPRP is a new HUD program with complex eligibility requirements. Some providers may not be familiar with the unique requirements, particularly HPRP providers that are new to providing services for the homeless. In addition, HUD has strict deadlines for spending HPRP funds and if these deadlines are not met, DCF risks losing the funding. Recovery STOP is a complex program with many different components and services. Also, services are offered in previously underserved geographic areas, which may present challenges for new providers. The Program Offices have addressed these risks by providing information and training to contract managers and providers.

The objective of HPRP is to provide financial assistance and services to either prevent individuals and families from becoming homeless, or help those who are experiencing homelessness to be quickly re-housed and stabilized. Recovery STOP seeks to develop and maintain employment of criminal justice and victim services personnel, support strategies that create and preserve jobs, and promote economic growth while strengthening the response of law enforcement, prosecution, courts, and victim services

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<sup>14</sup> Information about Single Audit requirements may be found at: [http://www.whitehouse.gov/omb/financial\\_fin\\_single\\_audit/](http://www.whitehouse.gov/omb/financial_fin_single_audit/). Specific guidance related to the Single Audit and the Recovery Act is provided in Appendix 7 of the March 2009 Compliance Supplement to OMB Circular No. A-133.

<sup>15</sup> CDAs are interim operating procedures for contract management. CDA 10-2 includes guidance on the Recovery Act and Single Audit requirements.

to violent crimes against women. Both HPRP and Recovery STOP must also align with the broader goals of the Recovery Act, such as job creation and retention, economic growth, and higher levels of accountability and transparency.

Both HPRP and Recovery STOP have added risks related to quarterly reporting requirements specific to the Recovery Act. Meeting the reporting requirements is a condition of receiving the funds, and compliance is closely monitored by the Office of Economic Recovery and the federal government.

In an effort to mitigate risks, issues related to Recovery Act implementation are discussed during the DCF Recovery Act management team meetings, and both Program Offices provide extensive training and technical assistance for contract managers and providers. The Office on Homelessness has also conducted desk reviews of service documentation, and the Office on Domestic Violence has conducted outreach at provider locations.

### Control Activities

Control activities involve taking action to address identified risks and helping to ensure that program objectives are met. They are the policies, procedures and processes for carrying out daily program operations. We focused our review on the following five crucial accountability objectives<sup>16</sup> for the Recovery Act:

1. Funds are awarded and distributed in a prompt, fair, and reasonable manner.
2. The recipients and uses of all funds are transparent to the public, and the public benefits of these funds are reported clearly, accurately, and in a timely manner.
3. Funds are used for authorized purposes and potential risks for fraud, waste, error, and abuse are mitigated.
4. Projects funded under this Act avoid unnecessary delays and cost overruns.
5. Program goals are achieved, including specific program outcomes and improved results on broader economic indicators.

#### (1. Control Activities - Award and Distribution of Funds)

The President's Memorandum of March 20, 2009, *Ensuring Responsible Spending of Recovery Act Funds*, emphasizes a transparent, merit-based selection process for committing, obligating, or expending funds under the Recovery Act.

The Office on Homelessness allocated HPRP funds to Continuums of Care (CoCs) throughout the state. The CoCs are local networks that provide an array of emergency, transitional, and permanent housing, and services to address the various needs of homeless persons and persons at risk for homelessness.<sup>17</sup> Allocations were made to the CoCs based on an established formula, with priority given to counties not receiving direct HPRP funding from HUD and based on need. The CoCs throughout the state announced the subgrant opportunities and selected providers based on applications and plans that were reviewed and approved by the CoCs and the Program Office.

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<sup>16</sup> Executive Office of the President, Office of Management and Budget (OMB) Memorandum for the Heads of Departments and Agencies, M-09-10, *Initial Implementing Guidance for the American Recovery and Reinvestment Act of 2009*, April 3, 2009.

<sup>17</sup> Section 420.624, Florida Statutes (F.S.)

Recovery STOP funds provide for a variety of services including training for law enforcement, prosecutors, judges and other court personnel, expansion of specialized prosecution services, and more services for victims. The allocation formula for the Recovery STOP program requires no less than 25% for law enforcement, 25% for prosecution, 5% for courts, and 30% for victim services. A discretionary amount of 15% is also allowed.<sup>18</sup> Allocations were made to both existing contracted providers and new providers. A portion of the funding for victim services was competitively awarded.

## (2. Control Activities - Transparency and Data Reporting)

The Recovery Act emphasizes a commitment to ensuring that public funds are expended responsibly and in a transparent manner to further job creation, economic recovery, and other purposes of the Recovery Act.<sup>19</sup> The Florida Office of Economic Recovery's website provides information about Florida's Recovery Act funded projects, including HPRP and Recovery STOP.<sup>20</sup>

Section 1512 of the Recovery Act requires certain funding recipients to report quarterly on the total amount of funds received and expended or obligated, the amount of funds received and expended or obligated by subrecipients or subgrantees, and an estimate of the number of jobs created and retained by the Recovery Act funded service. The reporting requirements are applicable only to non-federal recipients who receive funding through discretionary appropriations and do not apply to funding received through entitlement or other mandatory programs, except as specifically required by OMB.<sup>21</sup>

A central government-wide data collection system was developed for federal agencies and recipients of Recovery Act funding under Section 1512 of the Act and is located on the Internet at [www.FederalReporting.gov](http://www.FederalReporting.gov). To coordinate Recovery Act data reporting by state agencies, the Florida Office of Economic Recovery led the development of the FlaReporting data system. Data entered by state agencies into this centralized system are uploaded to [www.FederalReporting.gov](http://www.FederalReporting.gov).

The Recovery Act requires funding recipients to report no later than 10 days after the end of each calendar quarter.<sup>22</sup> To ensure timely reporting, data must be entered by

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<sup>18</sup> The Recovery STOP Violence Against Women Grant Program Implementation Plan, Federal Fiscal Year 2009-2011, June 2009, provides detailed information about how DCF allocated the funding.

<sup>19</sup> OMB Memorandum for the Heads of Departments and Agencies, M-09-15, *Updated Implementing Guidance for the American Recovery and Reinvestment Act of 2009*, April 3, 2009.

<sup>20</sup> <http://flarecovery.com>.

<sup>21</sup> OMB Memorandum for the Heads of Departments and Agencies, M-09-15, *Updated Implementing Guidance for the American Recovery and Reinvestment Act of 2009*, April 3, 2009.

<sup>22</sup> The Recovery Act requires, "No later than 10 days after the end of each calendar quarter, each recipient that received recovery funds from a Federal agency shall submit a report to that agency..." however, based on guidance from OMB and 2 CFR, Chapter I, Subsection 176.50, recipients are required to report the information described in Section 1512 of the Recovery Act using the reporting instructions provided online at [www.FederalReporting.gov](http://www.FederalReporting.gov). The deadline for the second quarterly report was extended from January 10 to January 15, 2010 by the Recovery Accountability and Transparency Board.

state agencies into the FlaReporting system no later than six days after the end of each calendar quarter.<sup>23</sup>

The following chart shows the data reporting process:

Recovery Act Data Reporting Process			
1-5 Days After the End of the Quarter	6 <sup>th</sup> Day After the End of the Quarter	7-8 Days After the End of the Quarter	9-10 Days After the End of the Quarter
Providers submit reports to DCF.	Data review by: Program staff, contract managers, OIG Internal Audit and Revenue Management.  Final approval and submission to FlaReporting.	Data review by the Florida Office of Policy and Budget.	Data submitted to <a href="http://www.FederalReporting.gov">www.FederalReporting.gov</a> .

The Offices on Homelessness and Domestic Violence include data reporting in their HPRP and Recovery STOP contracts and subgrant agreements, but use slightly different language for Section 1512 reporting. To meet the deadline for submitting data to FlaReporting, HPRP providers are required to submit quarterly reports to DCF within five calendar days after the end of each calendar quarter. However, HPRP providers have been asked to submit the reports several days prior to the deadline due to the limited timeframe for reviewing data prior to submission to FlaReporting. Recovery STOP providers are required to submit a Monthly Jobs Report and a Quarterly Project Performance Report. These reports are due to DCF within three days after the end of the reporting period.<sup>24</sup>

DCF issued CDA 10-2 for Recovery Act funded awards, which included required contract language about data reporting requirements. However, *the CDA does not address subgrant agreements or data validation, and it is now outdated*. After the CDA was released, new data reporting guidance from OMB was issued, and the FlaReporting centralized data reporting system was developed.

DCF contract managers are considered the primary point of contact with providers.<sup>25</sup> However, due to the time constraints for reporting and reviewing data, quarterly reports are sent directly to the Program Offices.<sup>26</sup> The reports are initially reviewed for reasonableness; however, *the process for conducting more in-depth data validation*

<sup>23</sup> Florida Office on Economic Recovery Guidance Memorandum FL-2009-03, *Recovery Act Reporting Guidance for the Period Ending December 31, 2009*, December 23, 2009. The state agency deadline for April 2010 reporting was extended to close of business April 7, 2010.

<sup>24</sup> Recovery STOP funded contracts and subgrant agreements include language addressing requirements for reporting within five days after the end of the reporting period or “as directed by the department.” In January 2010, contract managers sent letters to Recovery STOP providers directing them to submit reports within three days after the end of the reporting period.

<sup>25</sup> Section 402.7305, F.S. and Children and Families Operating Procedure (CFOP) 75-2.

<sup>26</sup> For HPRP, the quarterly reports are submitted simultaneously to the contract manager and Program Office. For Recovery STOP, the Monthly Jobs Reports and Quarterly Project Performance Reports are submitted to the Program Office only.

*could be strengthened.* Some contract managers told us they verified the reports by reviewing supporting documentation, discussing the report with providers, and observing service provision. However, some contract managers indicated that data validation had not yet occurred, and they did not have a clear plan for validating the data in the future.<sup>27</sup>

After initial review, data from the quarterly reports are collected by the Program Offices and forwarded to Revenue Management for entry into FlaReporting. Revenue Management staff also provide the relevant financial data for FlaReporting.<sup>28</sup> After entry into FlaReporting, Program Office staff review the data again. The OIG Internal Audit Unit also reviews the data for reasonableness and provides feedback to the Program Offices and Revenue Management during the data reporting process. For both reporting periods, we found minor discrepancies that were immediately brought to management's attention and promptly corrected. The Acting Comptroller completes another review and approves the final submission to FlaReporting. When DCF has completed its review, the Florida Office of Policy and Budget (OPB) also completes a review and must provide final approval prior to the uploading of the data to the centralized federal data collection system.

For the first two quarters, the following data were reported:

<b>DCF Recovery Act Reporting</b>				
<b>Program</b>	<b>Amount Received</b>	<b>Total Expenditure</b>	<b>Number of Jobs (Full-Time Equivalent)</b>	<b>Actual Number of Workers</b>
<b>1<sup>st</sup> Quarter</b> (Quarter Ending September 30, 2009)				
HRP	\$0	\$1,126,981.52	4.79	16
Recovery STOP	\$413,154.80	\$522,732.98	46.47	68
<b>2<sup>nd</sup> Quarter</b> (Quarter Ending December 31, 2009)				
HRP	\$2,882,671.96	\$3,211,049.05	32.22	73
Recovery STOP	\$1,308,585.95	\$1,582,809.48	54.62	91

During the first quarter, many of the HRP providers were just beginning to implement the new program. Only partial funding was initially received for Recovery STOP. Funds were used from other sources to cover expenditures.

The number of jobs reported for the first quarter was based on a cumulative calculation that converted the employee positions created and retained to a full-time equivalent. Initially, there was some confusion about the correct reporting of the number of jobs. Based on a review conducted by the GAO in November 2009, confusion about reporting

<sup>27</sup> Based on Contract Oversight Procedure 0910-01, July 1, 2009, the contract manager is responsible for designating the scope of a particular monitoring. The Contract Oversight Unit may conduct some validation activities during monitoring.

<sup>28</sup> Revenue Management is also responsible for separately reporting financial data directly to DOJ and HUD for the HRP and Recovery STOP grants.

on the number of Recovery Act funded jobs was a common issue nationwide.<sup>29</sup> In December 2009, OMB issued new guidance for Recovery Act data reporting.<sup>30</sup> A “job created” is “a new position created and filled, or an existing unfilled position that is filled, that is funded by the Recovery Act.” A “job retained” is “an existing position that is now funded by the Recovery Act.” The estimated number of jobs created or retained is expressed as the total of full-time equivalents (FTEs). The number is not cumulative, unlike other quarterly data elements. In calculating an FTE, the number of actual hours worked in Recovery Act funded jobs is divided by the number of hours representing a full work schedule. For both programs, a 40 hour work schedule (520 hours per quarter) was used in the job calculations. Because the FTE count understates the actual direct employment effect, the Florida Office of Economic Recovery also requires state agencies to collect data on the total number of actual workers.<sup>31</sup>

Despite numerous challenges, including short deadlines for submitting data and confusion about calculating jobs, DCF submitted data within the required timeframes.

#### (Additional HPRP Data Reporting Requirements)

In addition to Section 1512 reporting, the HPRP grant requires the collection of data on the use of the funds awarded and persons served using the HUD Homeless Management Information System (HMIS) or other comparable database system. DCF providers of homelessness services routinely use HMIS to enter service data. In their quarterly HPRP reports, providers include data required for Section 1512 and data they reported in HMIS. The HMIS data is compiled by the Office on Homelessness into one report that is entered into HUD’s E-snaps data collection system.

Ensuring compliance with HMIS data reporting requirements is a challenge for contract managers and the Program Office. *Some of the contract managers we interviewed were unclear about how to validate the HMIS data.*<sup>32</sup> HUD restricts access to HMIS to providers only. In addition, HMIS data requirements are complex and deadlines are short, necessitating extensive technical assistance from the Program Office.

#### (3. Control Activities – Use of Funds)

DCF is responsible for ensuring that HPRP and Recovery STOP grant funds are used for authorized purposes. In this section, we focus on the control activities for the use of Recovery Act funds, primarily as they relate to contract and subgrant management. The contract manager is the employee responsible for ensuring compliance with the terms and conditions of the contract.<sup>33</sup>

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<sup>29</sup> GAO, *Recovery Act: Recipient Reported Jobs Data Provide Some Insight into Use of Recovery Act Funding, but Data Quality and Reporting Issues Need Attention*, Report Number GAO-10-223, November 2009.

<sup>30</sup> OMB Memorandum for the Heads of Departments and Agencies, M-10-08, *Updated Guidance on the American Recovery and Reinvestment Act – Data Quality, Non-Reporting Recipients, and Reporting of Job Estimates*, December 18, 2009.

<sup>31</sup> The Florida Office of Economic Recovery, *Recovery Act Reporting Fact Sheet*, (Updated October 30, 2009).

<sup>32</sup> Although some contract managers are unclear about how to validate HMIS data, the Contract Oversight Unit may conduct some validation activities during monitoring.

<sup>33</sup> Section 402.7305, F.S. and CFOP 75-2.

Misuse of funds could result in a range of penalties, including, but not limited to: suspension of current and future grant funds, suspension or debarment from federal grants, recouplement of monies provided under a grant, and civil or criminal penalties.<sup>34</sup>

Each state agency receiving or expending Recovery Act funds is required to represent in writing to the State of Florida Chief Financial Officer that internal controls and procedures are in place to ensure a proper accounting and reporting of Recovery Act funds.<sup>35</sup> DCF complied with this requirement with a letter signed on August 31, 2009 by Secretary Sheldon.

DCF has numerous procedures and established processes in place for invoicing, budgeting, financial management, and revenue management.<sup>36</sup> These same procedures and processes apply to Recovery Act implementation.

Recovery Act funds must be tracked and accounted for separately from other funds. DCF assigned specific accounting codes to the various types of Recovery Act funding. Providers are also expected to comply with this requirement to separately account for Recovery Act funds.<sup>37</sup>

*DCF contracting procedure, CFOP 75-2, includes extensive requirements for contract management, but provides limited guidance for subgrant management.* This presents a risk of subgrant agreements not including necessary requirements and a risk of insufficient oversight of federal and state funds. Based on our interviews, new procedures are being developed.

The Office of Contracted Client Services issues contract directives, CDAs, to provide interim guidance to contract managers. For the Recovery Act, two CDAs have been released. CDA 10-2 includes requirements for Single Audits and required contract language about data reporting. CDA 10-09 provides contract and subgrant language for whistle-blower protections unique to the Recovery Act.

#### (HPRP)

HPRP funds are to be used to provide homelessness prevention assistance to households who would otherwise become homeless, and to provide assistance to rapidly re-house persons who are homeless as defined by Section 103 of the McKinney-Vento Homeless Assistance Act. It is not a mortgage assistance program, but rather a program to help participants, whether they are renters or homeowners about to become

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<sup>34</sup> *Recovery Act STOP Violence Against Women Formula Grant Program Solicitation*, Office of Violence Against Women, U.S. Department of Justice, <http://www.ovw.usdoj.gov/docs/recovery-stop-program.pdf>. HUD Docket Number FR-5307-N-01, *Notice of Allocations, Application Procedures, and Requirements for Homelessness Prevention and Rapid Re-Housing Program Grantees under the American Recovery and Reinvestment Act of 2009*, March 19, 2009.

<sup>35</sup> Chief Financial Officer Memorandum No. 1 (2009-2010), July 29, 2009.

<sup>36</sup> The Department's operating procedures are available from the DCF Internet website: [http://www.myflorida.com/cf\\_web/](http://www.myflorida.com/cf_web/).

<sup>37</sup> Requirements for compliance with the Single Audit Act and separate identification of Recovery Act funds were included in an attachment to the HPRP and Recovery STOP contracts and subgrants we reviewed. Specific guidance is provided in Appendix 7 of the March 2009 Compliance Supplement to OMB Circular No. A-133.

homeless, pay for utilities, moving costs, security deposits, rent in a new unit, storage fees, and other eligible costs.<sup>38</sup>

Eligibility requirements for HPRP are complex and program expertise is required to ensure the proper use of funds. The Program Office has given providers and contract managers detailed information about HUD's requirements, provided training and technical assistance, and reviewed some service documentation.

To ensure alignment with HUD's requirements for using HPRP funds, potential HPRP providers were required to submit plans to the Office on Homelessness for review and approval. The plans are included in HPRP subgrant agreements.

The Office on Homelessness developed a subgrant agreement template. *Our office assisted in reviewing the template, and we initially found a few requirements that were not included in the initial draft template.* Feedback was provided to the Program Office and corrections were made.

Contract managers used the templates to develop HPRP subgrant agreements that were reviewed by regional staff prior to execution. *In four of the 15 subgrant agreements, we found that the DCF Standard Contract was also included.* CFOP 75-2 requires the use of the Standard Contract document for all contracts to ensure that certain federal and state requirements are met; however, according to the Office of the General Counsel, the use of the Standard Contract document with a subgrant agreement could cause some confusion for providers and DCF.

#### (Recovery STOP)

Recovery STOP funds must be used for one or more of 14 purpose areas defined by DOJ.<sup>39</sup> Based on the DCF's Recovery STOP Implementation Plan, the following seven of the 14 purpose areas will be addressed:

- Training law enforcement officers, judges and other court personnel, and prosecutors to more effectively identify and respond to violent crimes against women.
- Developing, training, or expanding units of law enforcement officers, judges, or other court personnel, and prosecutors specifically targeting violent crimes against women.
- Developing and implementing more effective police, court, and prosecution policies, protocols, orders, and services specifically devoted to preventing, identifying, and responding to violent crimes against women.
- Supporting efforts to coordinate the response of state law enforcement agencies, prosecutors, courts, victim services agencies, and other state agencies, to violent crimes against women.

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<sup>38</sup> The Recovery Act and HUD Docket Number FR-5307-N-01, *Notice of Allocations, Application Procedures, and Requirements for Homelessness Prevention and Rapid Re-Housing Program Grantees under the American Recovery and Reinvestment Act of 2009*, March 19, 2009.

<sup>39</sup> The 14 purpose areas are defined in the *Recovery Act STOP Violence Against Women Formula Grant Program Solicitation*, which can be found at: <http://www.ovw.usdoj.gov/docs/recovery-stop-program.pdf>.

- Supporting the placement of special victim assistants in local law enforcement agencies to serve as liaisons.
- Maintaining core victim services and criminal justice initiatives, while supporting new initiatives and emergency services for victims and their families.
- Developing, enlarging, or strengthening victim services programs, developing or improving delivery of victim services to underserved populations, providing court advocates, and increasing reporting and reducing attrition rates for cases involving crimes against women.

To expedite implementation, funds were added to some existing contracts. Adding the funding to existing contracts presents a greater risk that the provider will be unable to track and report Recovery Act funds separately. Contract managers and Program Office staff work closely with providers by providing training and technical assistance.

For a portion of the funding for victim services, potential providers were required to submit plans to the Office on Domestic Violence for review and scoring. A subgrant agreement template was used for these competitively awarded services. The template was reviewed by the Office of Contracted Client Services and the Office of the General Counsel.

During our review of several Recovery STOP agreements, *we found that although the agreements include standard award terms and conditions, a few Recovery Act specific requirements were not included.*<sup>40</sup> Feedback was provided to contracting staff and the contracts and subgrant agreements were amended.

#### (4. Control Activities – Avoiding Delays and Cost Overruns)

Funding for Recovery Act projects is expected to be provided expeditiously to optimize economic activity while also ensuring accountability.<sup>41</sup> During Recovery Act management team meetings, updates are provided regarding the status of spending, requests for funds from the federal agencies, and overall progress for all Recovery Act funded programs.

To avoid delay, 60% of HPRP funds were awarded initially. Advance payments were made available to providers. The plans submitted by providers to the Program Office included anticipated costs for implementation. Expenditure timeframes are detailed in the HPRP subgrant agreements.<sup>42</sup> Quarterly HPRP reports include provider expenditures.

The Office on Domestic Violence avoided delay by amending some existing contracts and by using existing resources to fund Recovery Act projects until funds were released by DOJ. Contract managers monitor expenditures of Recovery STOP providers by comparing approved line item budgets to what providers report as actual expenditures.

<sup>40</sup> During our review of Recovery STOP agreements, we found that whistle-blower protections unique to the Recovery Act were not included. Subsequent to our review, CDA 10-09 was released. The CDA provides contract and subgrant language for Recovery Act specific whistle-blower protections.

<sup>41</sup> OMB Memorandum for the Heads of Departments and Agencies, M-09-15, *Updated Implementing Guidance for the American Recovery and Reinvestment Act of 2009*, April 3, 2009.

<sup>42</sup> HPRP providers must spend 50% of the award by June 30, 2010.

Both Program Offices also receive DCF expenditure data from Revenue Management. This data includes payments made to providers and can be used for ensuring that spending stays on-track with project timelines.

#### (5. Control Activities – Outcomes)

Consistent with the purposes of the Recovery Act, HPRP and Recovery STOP are intended to create jobs and save existing ones, promote economic growth, and foster accountability and transparency in spending, while meeting the expected outcomes of the individual grants. In this section we describe the intended outcomes for HPRP and Recovery STOP.

The expected outcome for HPRP is that the funds are used for homeless prevention and rapid re-housing of persons who have become homeless. DCF requires the providers to achieve an expenditure goal of completely spending the HPRP funds on eligible costs by June 30, 2011. Broader economic indicators include expenditure of funds to address homelessness, job creation and job retention.

Recovery STOP funding supports communities in their efforts to hire and retain criminal justice and victim services personnel that respond to violent crimes against women as a way to develop and strengthen effective law enforcement, prosecution strategies and victim services in cases involving violent crimes against women. To further the purposes of the Recovery Act, OVW encourages states to target Recovery Act funding to hiring and retaining criminal justice and victim services personnel who respond to violent crimes against women, as well as supporting other strategies that create and preserve jobs and promote economic growth while improving responses to domestic violence, dating violence, sexual assault, and stalking.<sup>43</sup>

#### Information and Communication

Information should be communicated to management and others within DCF to carry out responsibilities for implementing Recovery Act funded programs and to determine whether the goals of accountability and efficient use of resources are being met. Pertinent information should be regularly tracked and communicated throughout DCF so everyone understands their role in achieving the goals of the Recovery Act and their responsibilities in maintaining proper internal controls.

Information about the Recovery Act is communicated throughout DCF in various ways. Financial and Program Management meet routinely to discuss the progress of all Recovery Act funded projects. The Program Offices provide extensive training and technical assistance for contract managers and providers, and respond promptly to requests for information. *There are, however, some opportunities for improving communication between the Office of Contracted Client Services, the Office of Financial management and the Program Offices, and communication between the Program Offices, contract managers and providers.*

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<sup>43</sup> <http://www.ovw.usdoj.gov/docs/recovery-stop-program.pdf>.

Even though contract managers are the primary point of contact with providers,<sup>44</sup> the Program Offices need to be able to provide technical assistance directly to HPRP and Recovery STOP providers. This situation presents a risk of communication problems if contract managers are not kept informed of the contact with providers, or if contract managers and Program Office staff do not have a clear understanding of their roles.

As the primary employee responsible for enforcing the terms and conditions of the contract or subgrant agreement, the contract manager relies on the Office of Contracted Client Services and the Program Offices for guidance. The Recovery Act has unique requirements, such as those related to whistle-blower protections and reporting, that should be included in Recovery Act funded agreements with providers.

### Monitoring

Internal control systems should be monitored to assess their effectiveness. Monitoring is accomplished through ongoing activities, separate reviews and evaluations, and audits.

CFOP 75-2 requires the contract manager to conduct diligent oversight of provider performance and periodically visit the physical location where the services are delivered. Contract managers work with the DCF Contract Oversight Units (COUs) to ensure sufficient oversight of contracts and subgrant agreements.

The COUs located throughout the state are responsible for observing, recording, and reporting the information about the provider's compliance with the terms and conditions of the contract. *Current monitoring procedures do not address monitoring of grants or subgrant agreements.*<sup>45</sup> However, subgrant agreements have been monitored in the past and some are scheduled for monitoring later this fiscal year.

The COU monitoring schedule is based on a risk assessment that is conducted at the start of each fiscal year and periodically updated. The risk assessment considers the following factors: the nature of the service, prior provider performance, total contract dollar amount, accreditation, and the provider's financial audit.

Not all Recovery Act funded contracts and subgrant agreements are scheduled for monitoring by the COU during fiscal year 2009-2010. As of December 31, 2009, one of the 15 HPRP agreements and one of the Recovery STOP agreements had been monitored by the COU. An additional seven HPRP subgrant agreements and seven Recovery STOP agreements were scheduled for monitoring by the end of the fiscal year.<sup>46</sup>

The COU is required by Section 402.7305, F.S. to conduct desk reviews if a provider will not be monitored on-site during a fiscal year. Contract Oversight Procedure 0910-01 also includes this requirement, but does not specify if it applies to contracts, grants

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<sup>44</sup> Section 402.7305, F.S. and CFOP 75-2.

<sup>45</sup> CFOP 75-8 is the Department's written procedure for contract monitoring. In July 2009, Contract Oversight Procedure 0910-01 was released as an interim revision of CFOP 75-8.

<sup>46</sup> As of December 31, 2009, DCF had 15 HPRP funded subgrant agreements and 40 Recovery STOP funded contracts and subgrant agreements.

or subgrant agreements. The procedure does, however, allow for special monitoring, which may be requested by any DCF staff.

### **Conclusion and Recommendation**

To achieve the goals of HPRP and Recovery STOP and the broad economic goals of the Recovery Act, effective internal controls need to be in place to manage risk up-front, rather than after problems develop and deficiencies are identified. DCF generally has adequate internal controls in place for implementing the HPRP and Recovery STOP grants.

Our review identified the following opportunities for improvement:

- Interim procedures specific to the Recovery Act could be enhanced to provide current guidance for managers of contracts and subgrant agreements, especially with regards to data validation.
- The process of reviewing draft contracts and subgrant agreements could be strengthened.
- Implementation of enhanced procedures for subgrant management and monitoring would help to mitigate the risk of subgrant agreements not including necessary requirements and the risk of insufficient oversight of federal and state funds.
- Communication between the Office of Contracted Client Services, the Office of Financial Management and the Program Offices, and communication between the Program Offices, contract managers and providers could be strengthened.

We recommend management address the above opportunities by examining certain subgrant management processes, implementing subgrant management and monitoring procedures, and developing Recovery Act specific protocols.

### **Purpose and Objective**

The purpose of this project was to assist DCF in meeting expectations for accountability and transparency related to the Recovery. Our objective was to determine whether internal controls and safeguards exist to ensure Recovery Act funds for the Homelessness and Domestic Violence programs will be used for their intended purpose, and within the requirements of the Recovery Act.

### **Scope and Methodology**

Our scope focused primarily on the internal controls and safeguards associated with the initial implementation of the Recovery Act funded Homelessness and Domestic Violence programs.

To meet our assurance objective, we conducted a variety of activities, including the following:

- Research of applicable laws, rules, guidance, policies and procedures.
- Research of prior relevant reports.
- Interviews with DCF staff.

- Reviews of Recovery Act funded contracts and subgrant agreements and other relevant documents.
- Reviews of data required for Recovery Act reporting.

We also:

- Provided immediate feedback to management during our reviews of DCF contracts and subgrant agreements, and data submitted for federal reporting.
- Participated in Recovery Act meetings with DCF staff, the Governor's Chief Inspector General's Office, staff from other state agencies, and others.
- Participated in conference calls and various training opportunities, and informed DCF staff of available training and resources.

### Acknowledgements

The Office of Inspector General would like to thank the following for their assistance with this project:

- The Acting Comptroller
- Revenue Management Staff
- Contracted Client Services Staff
- Office on Homelessness Staff
- Office on Domestic Violence Staff
- Contract Management Staff for the HPRP Subgrants and Domestic Violence Contracts and Subgrants

### Management's Response

In a response memorandum dated April 23, 2010, the Assistant Secretary for Programs and the Assistant Secretary for Administration responded to the opportunities for improvement. The memorandum is included as Exhibit A to our report.

This project was conducted in accordance with the *International Standards for the Professional Practice of Internal Auditing*, published by the Institute of Internal Auditors. The project was conducted by Theresa Skipper and Shandyka Strivelli under the supervision of Jerry Chesnutt, Director of Auditing, (850) 488-8722.

This report is available on our website: [http://www.dcf.state.fl.us/admin/ig/pubs\\_ia.shtml](http://www.dcf.state.fl.us/admin/ig/pubs_ia.shtml)

Exhibit A  
Management Response



State of Florida  
Department of Children and Families

Charlie Crist  
Governor

George H. Sheldon  
Secretary

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**DATE:** April 23, 2010

**TO:** Jerry Chesnutt, Director of Auditing  
Office of Inspector General

**FROM:** David Fairbanks, Assistant Secretary for Programs  
Barbara Palmer, Assistant Secretary for Administration

**SUBJECT:** Response to Audit Projects #A-0809-205 and #A-0809-206, Recovery Act: Initial Implementation

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Thank you so much for your comprehensive review of the implementation of Recovery Act funding in the Domestic Violence and the Homelessness Programs. The finding that: "DCF generally has adequate internal controls in place for implementing the HPRP and Recovery STOP grants" is a reflection of the work of many offices and individuals within the Department, including the consultation of the Internal Audit Unit.

A team comprised of Walter Sachs, Debra Ervin and Angela Robertson has reviewed the audit report. Based on their review, we are responding to the "opportunities for improvement" presented in the report with the following:

1. The Office of Contracted Client Services will review the need for updating contract directives with respect to ARRA funding requirements. Revised CDA(s) will be issued based on the results of this review.
2. The Office of Contracted Client Services is working closely with the Office of the Assistant Secretary for Program Planning to develop a grant management process. The process is currently in draft review within the General Counsel's Office and will be distributed widely for review upon completion. We anticipate that the process should be in place by next fiscal year.
3. Because some contract managers expressed confusion over how to validate ARRA reports, we will jointly develop guidance for use by Domestic Violence and Homelessness contract managers so that validation is a part of the annual on-site visit for each direct service contract. This will be put into place for FY 10-11.
4. We agree that communication among program and contract management staff is key. Florida Statutes, subsection 402.7305(1)(a), is clear that the contract manager is the primary point of contact through which all contracting information flows between the department and the contractor.... All actions related to the contract shall be initiated by or coordinated with the contract manager." We will continue to emphasize the necessity for regular communication, to the benefit of the clients we serve.

cc: Debra Ervin  
Trula Motta  
Tom Pierce  
Angela Robertson  
Walter Sachs  
Jane Wise

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