

AUDIT OF THE DEPARTMENT'S PROCUREMENT
OF CONTRACTUAL PROGRAM SERVICES
REPORT NUMBER A-1314DJJ-007
APRIL 7, 2014

BY
THE OFFICE OF THE INSPECTOR GENERAL
BUREAU OF INTERNAL AUDIT

Robert A. Munson
Inspector General

Michael Yu, CIA, CIG
Director of Auditing

Roosevelt Brooks, CPA, CIA
Auditor In Charge

Wansley Walters, Secretary

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**STATE OF FLORIDA
DEPARTMENT OF JUVENILE JUSTICE**

INTEROFFICE MEMORANDUM

DATE: April 7, 2014
TO: Wansley Walters, Secretary
FROM: Robert A. Munson, Inspector General *RAM*
SUBJECT: Final Report - Audit No. A-1314DJJ-007, Audit of the Department's Procurement of Contractual Program Services

I have enclosed a copy of the final audit report, Audit of the Department's Procurement of Contractual Program Services prepared by the Bureau of Internal Audit. We will conduct a follow-up review to determine the status of corrective actions taken to address the reported finding.

We would like to thank the Office of Program Accountability and Bureau of Contracts for the assistance extended to our staff during the audit process. Please feel free to contact Michael Yu, Audit Director, at 850-717-2468, if you have any questions.

RM/rb

Attachment

Cc: Christy Daly, Deputy Secretary
Jason L. Welty, 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

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Rick Scott, Governor

Wansley Walters, Secretary

The mission of the Department of Juvenile Justice is to increase public safety by reducing juvenile delinquency through effective prevention, intervention, and treatment services that strengthen families and turn around the lives of troubled youth.

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**Office of Inspector General
Bureau of Internal Audit
Audit No. A-1314DJJ-007
Audit of the Department's Procurement of Contractual Program Services**

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EXECUTIVE SUMMARY

The Office of the Inspector General (OIG), Bureau of Internal Audit (BIA) has performed an audit of the Department of Juvenile Justice (Department) Procurement of Contractual Program Services. The Department invests significant resources by contracting with service providers to provide services to youth in the State of Florida (approximately \$320,000,000 annually). These contracts assist the Department in carrying out its mission in providing prevention, intervention, and treatment services to assist youth and strengthen families.

The objectives of this audit were to provide management with reasonable assurances that:

- The procurement of contractual program services are in compliance with applicable statutes, regulations, and procedures; and,
- Sufficient internal controls are in place to effectively support the procurement of contractual program services.

As part of its Roadmap to System Excellence, one of the Department's stated goals is to improve its procurement process, where applicable, by implementing the use of the procurement method *Invitation To Negotiate (ITN)*.

Our audit procedures were limited to competitively bid contracts utilizing the procurement method ITN; all were multi-year contracts. The use of this procurement method is appropriate when it is clear that negotiations surrounding the qualifications of the vendor and scope of work are more critical to the success of a project than price. Price is negotiated once responsive vendor(s) are identified by the Department.

The audit disclosed that, in general, the Department complied with applicable Florida Statutes, Florida Administrative Code, Department policies and procedures and has effective controls in place to support procurement activities. However, we noted an area for improvement pertaining to the following:

Florida Statutes require that, when the value of a contract is in excess of \$1 million, in any fiscal year, at least one of the persons conducting negotiations must be a certified contract negotiator. For three of six procurement files reviewed utilizing the procurement method ITN, we could not determine if a certified negotiator was part of the negotiation team.

Audit of the Department's Procurement of Contractual Program Services
Audit # A-1314DJJ-007

INTRODUCTION

The Office of the Inspector General (OIG), Bureau of Internal Audit (BIA) has performed an audit of the Department of Juvenile Justice (Department) Procurement of Contractual Program Services for the period July 1, 2012 through September 30, 2013, and related activities through the end of fieldwork. The audit was conducted in accordance with *International Standards for the Professional Practice of Internal Auditing*, published by the Institute of Internal Auditors.

BACKGROUND

The procurement process is a common business process which starts with identifying a procurement need and finishes with a finalized payment being issued. The Department invests significant resources by contracting with service providers to provide services to youth in the State of Florida (approximately \$320,000,000 annually). The vast amount of services provided to youth by the Department is through service providers.

As part of its Roadmap to System Excellence, one of the Department's stated goals is to improve its procurement process, where applicable, by implementing the use of the procurement method *invitation to negotiate (ITN)* which requires the utilization of certified negotiators when contracts are in excess of \$1 million in any fiscal year.

These contracts assist the Department in carrying out its mission in providing prevention, intervention, and treatment services to assist youth and strengthen families. Our audit addressed the following contract stages pertaining to the Department's procurement of contractual program services: identify the need, plan the solicitation, evaluate the response and award the contract.

The Bureau of Contracts (Bureau) is responsible for the Department's contracting activities related to procurement of contractual program services. There are seventeen (17) full time equivalent positions in the Bureau which includes a Bureau Chief. The Bureau Chief reports to the Director of Program Accountability. The Department's procurement of contractual program services is governed by Section 287, Florida Statutes, Chapter 60A-Florida Administrative Code, and FDJJ - 1675—Department Purchasing Procedures.

The Bureau develops contract documents upon request from the appropriate Assistant Secretary or Executive Management office; facilitates the procurement process; and provides technical assistance to Department staff pertaining to contract processes and documents.

Objective, Scope, and Methodology

The objectives of this audit were to provide management with reasonable assurances that:

- The procurement of contractual program services are in compliance with applicable statutes, regulations, and procedures; and,
- Sufficient internal controls are in place to effectively support the procurement of contractual program services.

The scope of the audit included contracts procured through the competitive bid process utilizing the procurement method ITN for the period July 1, 2012 through September 30, 2013, and related activities through the end of field work.

Our audit methodology included performing various audit procedures to address the above audit objectives. To achieve our audit objectives, we reviewed:

- (1) Florida Statutes;
- (2) Florida Administrative Code;
- (3) Department Purchasing Procedures;
- (4) Six Procurements (ITN);
- (5) Contract Tracking System User Manual;
- (6) Department's Roadmap to System Excellence;
- (7) Bureau of Contracts' Organizational Chart;
- (8) State of Florida Contract and Grant User Guide;
- (9) Florida Department of Juvenile Justice Procurement and Contract Management Reports (Northhighland); and,
- (10) Bid documents submitted to the Department of Management Services.

In addition, we reviewed ten contracts procured utilizing the procurement method ITN totaling \$167,353,285 (shown in the table below), to test compliance with applicable statutes, policies and procedures.

CONTRACTS SELECTED FOR REVIEW ¹						
Index	Contract	Bureau	Execution/Date	Effective Date	End Date	Amount
1	10098	Residential	6/28/2013	7/1/2013	6/30/2018	\$ 38,425,740.00
2	10080	Residential	5/31/2013	6/1/2013	5/31/2018	19,929,000.00
3	P2107	Probation	8/1/2013	8/1/2013	6/30/2014	18,636,156.00
4	10113	Probation	8/1/2013	8/1/2013	7/31/2018	17,035,468.00
5	10115	Probation	8/1/2013	8/1/2013	7/31/2018	15,165,023.65
6	10114	Probation	8/1/2013	8/1/2013	7/31/2018	15,165,022.75
7	P2120	Probation	8/1/2013	8/1/2013	6/30/2014	13,699,185.00
8	P2121	Probation	3/1/2013	7/1/2012	6/30/2017	11,520,000.00
9	10092	Residential	8/30/2013	9/1/2013	6/30/2018	8,901,620.00
10	10094	Residential	8/31/2013	9/1/2013	6/30/2018	8,876,070.00
					Total:	\$ 167,353,285.40

RESULTS OF AUDIT

The audit disclosed that, in general, the Department complied with applicable Florida Statutes, Florida Administrative Code, and Department policies and procedures and has effective controls in place to support procurement activities. However, we noted an area for improvement pertaining to compliance with Florida Statutes and staffing.

In accordance with Section 287.057(16)(b), F.S., "when the value of a contract is in excess of \$1 million in any fiscal year, at least one of the persons conducting negotiations must be certified as a contract negotiator based upon rules adopted by the Department of Management Services in order to ensure that certified contract negotiators are knowledgeable about effective negotiation strategies, capable of successfully implementing those strategies, and involved appropriately in the procurement process."

During compliance testing, we found that contracting and procurement activities were generally processed in a manner that was compliant with applicant policies, procedures and regulations.

¹ This information was obtained from the Bureau of Contracts.

However, for three of six ITN procurement files reviewed during the compliance testing, we could not determine if a certified negotiator was part of the negotiation team, since there was a lack of sufficient evidence to indicate that a certified contract negotiator participated in the contract negotiation process.

For all contracts reviewed, the contract amount was in excess of \$1 million in a fiscal year. Therefore, it appears that the Department is not fully in compliance with Florida Statutes, as it relates to having a certified negotiator as part of the negotiation team when awarding contracts utilizing the procurement method ITN.

During the audit process, we noticed that the Department currently has three certified negotiators. This is based on our review of Management Services' data base for certified negotiators and inquiries of Department staff. It appears the number of certified negotiators is not sufficient to support procurement activities utilizing the procurement method ITN.

To comply with Florida Statutes, we recommend that the Department ensure the participation of certified negotiators in the procurement process; in addition, we recommend that the Department increase the number of staff members who are certified contract negotiators in the Bureau of Contracts.

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APPENDIX:

MANAGEMENT RESPONSE



**STATE OF FLORIDA
DEPARTMENT OF JUVENILE JUSTICE**

INTEROFFICE MEMORANDUM

DATE: April 3, 2014
TO: Michael Yu, Audit Director
FROM: Amy Johnson, Director of Program Accountability
SUBJECT: Response to Draft Report – Audit No. A-1314DJJ-007, Audit of the Department's Procurement of Contractual Program Services

Thank you for the draft report and recommendations regarding the Audit of the Department's Procurement of Contractual Program Services. In accordance with Section 20.055(5)(d), Florida Statutes the following responses are offered to the preliminary and tentative audit findings:

Finding: In three of six ITN procurement files reviewed, the auditor could not determine if a certified negotiator was part of the team.

Response: The Bureau of Contracts (BOC) has implemented a process to ensure that participation of the certified negotiator is documented on the Award Recommendation Memo to the Secretary for all procurements in excess of \$1 Million in a fiscal year.

Finding: The number of certified negotiators is not sufficient to support procurement activities utilizing the procurement method ITN.

Response: The BOC has completed a training survey for the Department of Management Services (DMS) and requested training for each Contract Administrator not currently certified. DMS has indicated that it will be delivering its certified negotiator training to identified BOC staff in the fall of 2014.

Please let me know if you should have any questions regarding this response.

Cc: Christy Daly, Deputy Secretary
Jason Welty, Chief of Staff
Robert Munson, Inspector General
Bob Roller, Chief of Contracts

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