



February 2006

Report No. 06-16

The Department of Children and Families Has Taken Steps to Address 2005 Contracting Law

at a glance

As directed by the 2005 Legislature, the Department of Children and Families has taken steps to address major weaknesses in its contract management and monitoring processes. These actions have included revising its contract management and monitoring procedures and processes and establishing an Office of Quality Management responsible for contract monitoring and quality assurance functions. The department is also in the process of improving the delivery of training it provides to new contract managers.

To better address staff training needs and improve its contract review process, the department should offer a condensed version of certification training for veteran contract managers, develop and implement a training program for contract monitors, and streamline its central office contract review and approval process.

A subsequent OPPAGA report will address the effectiveness of the department's efforts to improve its contract management and monitoring functions.

Scope

As directed by the Legislature, this report examines the Department of Children and Families' progress in implementing Ch. 2005-222, *Laws of Florida*, which was

intended to strengthen the department's contract management and monitoring systems and performance. This report addresses two questions.

- What progress has the department made in addressing the requirements of Ch. 2005-222, *Laws of Florida*?
- What additional issues should the department address regarding its implementation of the 2005 law?

A subsequent OPPAGA report, to be released in February 2007, will examine the effectiveness of the department's efforts to improve its contract management and monitoring functions.

Background

The Department of Children and Families is responsible for administering the major state child welfare, mental health and substance abuse, and economic self-sufficiency programs. These include Adult Services, Child Care Services, Economic Self-sufficiency, Florida Abuse Hotline, Child Welfare and Community-Based Care, Domestic Violence, Mental Health Services, and Substance Abuse Services. The department contracts with private entities for most services rather than having them performed by state employees.

The department's central office is responsible for statewide policy direction and oversight

functions. The Office of Contracted Client Services provides department-wide contract management policies and procedures and coordinates central office contract purchasing. The Office of Quality Management establishes department contract monitoring and quality assurance processes for the department's Child Welfare and Community-Based Programs, and maintains the department's performance measurement system.

The department plans, administers, and delivers most of its services through offices in 13 service districts, one regional office, and six administrative zones. The district and regional offices are responsible for providing support services, conducting contract management activities, and performing operational activities, such as conducting protective investigations for children and adults and determining client eligibility for state programs. Administrative zones are responsible for providing administrative services (planning, budgeting, contract administration) and provide program management for the Child Welfare/Community-Based Care, Economic Self-Sufficiency, and Adult Services programs.

The department's Substance Abuse and Mental Health Programs have a separate administrative structure than other department programs. The assistant secretary for Substance Abuse and Mental Health has direct line authority over district substance abuse and mental health program supervisors as well as civil and forensic treatment facilities.

Department contract managers are responsible for enforcing vendor compliance with contract administrative and programmatic terms and requirements. These staff are the primary points of contact between the department and its contractors and are responsible for the day-to-day contract oversight. The department also has contract monitoring staff who are responsible for determining vendor compliance with contract terms and reporting that information to the contract managers. The contract monitoring staff conduct reviews of

providers every one to three years depending on the risk level of the contract.

The department is funded primarily through general revenue and federal funds. For Fiscal Year 2005-06, the Legislature appropriated \$2.8 billion and authorized 17,640 positions for the department. The majority of the department's budget is used to pay contractors for program services or for direct payments to clients.

As of January 2006, the department had 1,166 contracts with a total (multi-year) value of approximately \$3.69 billion (see Exhibit 1).¹ The time and effort required to manage and monitor each of these contracts may vary significantly depending on the services acquired through the contract, the method of payment, the amount of the contract, and other factors such as the need to verify compliance with federal laws and rules.

Exhibit 1 The Department Has 1,166 Contracts That Total \$3.69 Billion

Program	Number of Contracts	Contract Amounts
Adult Services	21	\$1,655,691.76
Child Care	23	6,488,349.00
Developmental Disabilities	20	1,340,356.61
District Administration	22	1,258,901.82
Domestic Violence	45	32,757,670.00
Economic Self-Sufficiency	104	112,052,425.43
Family Safety	133	1,953,439,841.16
Information Systems	33	228,361,176.71
Mental Health	495	923,504,101.12
Refugee	83	135,683,741
Substance Abuse	176	289,062,751.80
Other	11	2,358,701
Total	1166	\$3,687,963,707.41

Source: Department of Children and Families.

¹ Contract amounts are as of January 13, 2006. Some contracts are multiyear contracts and as such the total value of the contracts applies to more than one fiscal year.

There have been long-standing concerns regarding the department's contract management and monitoring systems. In recent years, reports by the Governor's chief inspector general, the department's inspector general, and OPPAGA have identified serious weaknesses in the department's contracting processes. These reported weaknesses have included

- failure by department management to safeguard its ability to make objective, fair, and impartial decisions with department contracting actions;²
- improper use of the governmental agency exemption to contract with a state university which skirted procurement laws and resulted in additional costs for the department;³
- inadequate training for department contracting staff in procurement and contract management;⁴ and
- insufficient monitoring of contracted community-based lead agencies.^{5, 6}

To address these weaknesses and improve the department's contract management and monitoring processes, the 2005 Legislature passed Ch. 2005-222, *Laws of Florida*. This law required the department to take specific actions to improve its contracting process including provisions described below.

- Define contract managers, contract monitors, and outsourcing.
- Establish contract management requirements and processes. For example, the department must have a Senior Management or Select Exempt Service employee who appoints contract managers for each contract. Also, contract managers must perform certain tasks such as directly meeting with contractor representatives on a monthly basis.
- Require contracts to be on a multi-year basis unless justification for a shorter-term contract is provided.
- Require contract managers to be properly trained.
- Require that, for all contracts with universities, all public postsecondary institutions must be allowed to bid and postsecondary institutions are to use competitive procedures in selecting subcontractors, when applicable.
- Require that contract monitoring teams be staffed with career service employees and include one member with experience in the contract's program area. The department also is to develop an annual monitoring schedule that considers each contract's level of risk, develop contract monitoring plans, and set deadlines for completing monitoring reviews.
- Require contract monitors to be properly trained.

This law also directed that contract managers are to document any differences between a contractor's actual performance and standards established in its contract. If a contractor cannot correct performance deficiencies within a prescribed time and if there are no extenuating circumstances, the department must terminate the contract.

² *Department of Children and Families, CIG Case No. 200403230002*, Executive Office of the Governor, Chief Inspector General's Office, Office of Investigations, July 2004.

³ *Contracting with Florida State University Using the Governmental Agency Exemption*, Department of Children and Families Inspector General Report No. [A-07-2004-019](#), January 2005.

⁴ *Contracting with Florida Universities Using the Governmental Agency Exemption Coupled with Fixed Price Costing*, Inspector General Report No. [A-05-2005-007](#), May 2005.

⁵ *Child Welfare Transition Nearly Complete; Budget Allocation and Oversight Systems Need Strengthening*, OPPAGA [Report No. 05-12](#), March 2005.

⁶ Lead agencies are private, community-based agencies or county governments responsible for planning, administering, and delivering client services; ensuring that services are delivered in accordance with state and federal laws; and coordinating with other local public or private agencies that offer services for clients.

Questions and Answers –

What progress has the department made in addressing the requirements of Chapter 2005-222, Laws of Florida?

The department has taken steps to address the requirements of the law as described below.

- The department has started a complete revision to its operating procedures manual that specifies contract management and monitoring procedures and processes. The manual will provide definitions of contract managers, contract monitors, and outsourcing. The department expects to finish updating its contract management operating procedures by March 2006 and its contract monitoring procedures by July 2006.
- The department revised its procedures to require justification for not using multi-year contracts. The department reports that 57% of its contracts are on a multi-year basis.
- The department's director of Contracted Client Services issued directives in July and August 2005 that informed contract management staff of the new purchasing and contracting requirements in Ch. 2005-222, *Laws of Florida*. In addition, department management informed contractor staff of the new requirements in monthly conference calls.
- The Office of Contracted Client Services established a Contracted Quality Assurance Unit that will periodically review contract managers' files to determine their compliance with department policies and procedures. This unit will provide the department with assurance that its contract managers are adhering to the requirements of the law and department policies.
- The department established an Office of Quality Management effective October 1, 2005, to be responsible for contract monitoring and quality assurance functions. The new office is in the process of hiring staff to monitor central office

contracts (approximately 264 contracts) and is developing processes to monitor district office contracts. The unit has developed a checklist that contract monitors can use to help ensure that they complete required tasks and a tracking system for determining whether contract monitoring reports are issued within established deadlines.⁷ The unit has also completed a risk assessment for all contracts. It is also in the process of developing a quality assurance process for reviewing services delivered by community-based lead agencies. The department currently has 22 services contracts with 20 lead agencies that provide child protective services in the state's 67 counties.⁸

- The department used a Request for Information (RFI) to determine if multiple universities were interested in competing for two contracts that were awarded to universities after July 1, 2005. In both instances, only one university expressed an interest in competing for the contract. These two contracts were subsequently issued using a government exemption to competitive bidding. Department managers report that they will seek to have multiple universities bid on department contracts but anticipate that few university contracts will be awarded until Fiscal Year 2006-07. Consequently, it is too early to tell what effects the new law will have on the department's contracting with state universities.
- The department implemented a new team approach for reviewing and approving central office contracts in May 2005. Prior to this change, the department did not have an effective method for reviewing and approving contracts before awarding them to a vendor. The new approach requires that several staff with varying areas of

⁷ The checklist is sometimes modified by contract managers to reflect specific items related to the contracts issued for their program.

⁸ See *Additional Improvements Are Needed as DCF Redesigns Its Lead Agency Oversight Systems*, OPPAGA [Report No. 06-05](#), January 2006, for more information on department contracting with lead agencies.

expertise review and approve contracts before they can be signed by the vendor.

- As we noted in a recent report, the department plans to establish contract resource teams to provide ongoing technical assistance and training to contract managers.⁹ Contract resource teams will be located in each zone and staffed with a contract procurement and negotiation specialist, financial specialist, and performance and training specialist. The department is currently attempting to locate inter-departmental resources to fund 20 contract resource team positions. The department does not have a timeframe for implementing the contract resource teams due to current position vacancies.

It should be noted that the department already had some procedures in place that addressed the law's requirements prior to its enactment. For example, the department's operating manual included provisions that required department employees to receive training before being designated as contract managers prior to the passage of Ch. 2005-222, *Laws of Florida*. However, the law's new requirements have resulted in the department strengthening its contracting processes.

What additional issues should the department address regarding its implementation of the 2005 law?

We identified two areas in which the department could enhance its efforts to implement the requirements of Ch. 2005-222, *Laws of Florida*, improving the efficiency of the central office's contract review and approval process, and providing more training on department contracting policies and procedures.

Central office contract review and approval process should be streamlined. The department has implemented a team approach for reviewing and approving central office

contracts. This new approach has improved the quality of contract decisions and communication, but can be problematic because the process is sometimes cumbersome for contract managers and disruptive to other workflow.

The department's new approach to contract review requires that several staff with varying areas of expertise review and approve contracts before they can be signed by the vendor. The contract process starts with central office program staff making a decision to award a contract and then advising contract staff regarding the decision. Contract management staff then prepare necessary procurement and contract documents. Once these documents are prepared, they must be approved by the relevant program office, the Office of Contracted Client Services, and the Office of the General Counsel. After the contract is approved by the department and signed by the contractor, it is assigned to a contract manager who is responsible for the day-to-day oversight of contract deliverables and invoices and evaluating vendor performance.

Central office contracting staff believe this team approach improves the quality of contract documents. They also believe it helps ensure that program staff are knowledgeable about contract requirements and that contract staff are knowledgeable about program requirements and the department's expectations for vendors. For example, Refugee Services Program managers reported that the approach ensures that relevant program staff are involved in reviewing contracts for refugee services, such as adult education and employment training. This is important because these program staff develop funding formulas for the contracts and must be able to explain them to contract management staff and vendors.

However, program office staff also noted that the review process is sometimes cumbersome and disruptive to workflow when various contract review staff make changes to contracts. The team approach requires

⁹ See *Additional Improvements Are Needed as DCF Redesigns Its Lead Agency Oversight Systems*, OPPAGA [Report No. 06-05](#), January 2006.

program, contract, and legal staff to review contracts on an individual-by-individual, sequential basis. Each of these staff must review and approve any changes made to a contract during the process, which can require sending the contract back to staff who have already reviewed it. The contract manager is responsible for identifying delays in the contract approval process and contacting the responsible party. Contract managers reported that they are uncertain how long it will take for contracts to go through the approval process and must continuously monitor whether the contract is moving appropriately through the process. Staff noted that the process also can bottleneck at the legal review stage, as the department has two attorneys who have primary responsibility for reviewing contracts and the review and approval process will slow down or stop when these individuals are unavailable.

Some department units have taken steps to streamline this process and reduce the time needed to review and approve contracts. For example, Child Care Program contracting staff collectively meet with program and legal staff after individually reviewing contracts. This enables them to discuss and agree to changes recommended by any team member without sequentially passing the documents back and forth. They believed that this approach decreased the amount of time taken to obtain approval of the contract.

The department should review its central office contracting process and consider approaches, such as the one being used by the Child Care Program, to streamline the process as needed to ensure that contracts are reviewed in an efficient and expeditious manner.

Contract management and monitoring training should be increased. Although the department is improving the training it provides to new contract managers, it needs to provide additional training to these staff as well as implement a training curriculum for contract monitoring staff. The department currently provides some contract management

training to its employees, including a four-day contract manager certification course and a one-day course to provide contract managers with updated information on contracting requirements and processes.^{10, 11}

The department's Office of Contracted Client Services has recently developed a standardized curriculum for certification training that will be used statewide for new contract managers. In January 2006, Office of Contracted Client Services staff trained contract management supervisors on the new curriculum. The supervisors will then use the curriculum to provide the training to their staff. The curriculum addresses such topics as budget and funding, procurement, negotiations, and contract management and service delivery. Prior to the new training, contract managers received training on similar topics, but there was no standardized curriculum.

The department plans to survey recipients of the certification training and their supervisors to ensure that the staff are able to apply their training to their job tasks. The department will administer the survey as soon as the first class of new contract managers has completed the training and has a chance to gain job experience, which is estimated to occur by spring 2006. To help ensure the success of the revised curriculum, the Office of Contracted Client Services will need to ensure that contract supervisory staff create training schedules and provide the training to their employees in a timely manner.

However, this training will not be provided to existing contract management staff. These staff and their supervisors asserted that they need additional training in areas such as negotiation, reviewing contract payments, approving invoices, and reviewing service provider

¹⁰ The department has recently implemented quarterly two-day training for district community-based care lead agency contract managers. The department has not developed similar training for other department contract managers.

¹¹ The department also encourages its staff to take training courses offered by the Department of Financial Services that address such matters as documenting vendor compliance with program and fiscal requirements in state contracts.

budgets to identify allowable costs. Although these topics are covered when new contract managers receive their certification training, refresher training is needed as they are likely inexperienced when initially trained thus may not understand how to apply the information provided. The department could offer a condensed version of the certification training to contract managers on a regular basis. This will give staff the opportunity to receive additional training after putting their previous training into practice and provide them the opportunity to ask questions based on their job experiences.

Department contract monitoring staff also have unmet training needs. The expertise level of the department's monitoring staff has been affected adversely by reorganizations of this function. The department has moved responsibility for contract monitoring twice since March 2005.¹² Department managers noted that these transfers resulted in a loss of 24 experienced contract monitoring staff statewide, out of 68 total positions (35%).

To address this loss of expertise and provide its contract monitoring staff with the knowledge and skills needed to effectively oversee providers, the department needs to develop a strong training program for these staff. This training should cover the contracting process, state and federal requirements, and effective monitoring practices. The department has not yet provided a training manual or training curriculum for its contract monitors.

The department has recently made plans to address the lack of contract monitoring training and guidance. The Office of Quality Management is developing a training manual and plans to offer statewide training on this manual in July 2006.

¹² Prior to March 2005, contract monitoring was assigned to the department's 13 districts and one region. The department then transferred this function to its inspector general's office, which has seven field units. In October 2005, the department again transferred this function to a new Quality Management Unit assigned to its central office.

Recommendations —

To improve the efficiency of its contracting activities, we recommend that the Department of Children and Families review its central office contract review and approval process and develop and implement approaches, such as the one being used by the Child Care Program, to streamline the process.

To better address the staff training requirements specified in Ch. 2005-222, *Laws of Florida*, we recommend the department take the actions described below.

- The department should survey contract managers who receive certification training and evaluate their responses to assess training sufficiency and make any necessary changes.
- The department should offer a condensed version of certification training to contract managers on a regular basis.
- The department should develop and implement a training manual and program for its contract monitoring staff.

Agency Response —

In accordance with the provisions of s. 11.51(6), *Florida Statutes*, a draft of our report was submitted to the Secretary of the Department of Children and Families for review and response.

The Secretary's written response is reproduced in its entirety in Appendix A.

Appendix A



State of Florida
Department of Children and Families

Jeb Bush
Governor

Lucy D. Hadi
Secretary

February 14, 2006

Mr. Gary R. VanLandingham, Director
Office of Program Policy Analysis
and Government Accountability
111 West Madison Street, Room 312
Tallahassee, Florida 32399-1475

Dear Mr. VanLandingham:

Thank you for your February 1, 2006 letter accompanying the preliminary findings and conclusions of your report titled "The Department of Children and Families Has Taken Steps to Address 2005 Contracting Law."

The department generally concurs with the findings of your report. Enclosed is the department's response to the specific recommendations you provided.

We appreciate the dedicated work of your staff and look forward to our continued analysis and review of these programs that provide services to some of Florida's most vulnerable citizens. If you or your staff have additional questions, please feel free to call Walter Sachs, Staff Director for Contracted Client Services, at (850) 921-8983.

Sincerely,

A handwritten signature in black ink, appearing to read 'Lucy D. Hadi', is written over the typed name and title.

Lucy D. Hadi
Secretary

Enclosure

1317 Winewood Boulevard, Tallahassee, Florida 32399-0700

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

Department of Children and Families
 Response to Office of Program Policy Analysis and Government Accountability
 "The Department of Children and Families Has Taken Steps to Address 2005
 Contracting Law"

Recommendation: To improve the efficiency of its contracting activities, we recommend that the Department of Children and Families review its central office contract review and approval process and develop and implement approaches, such as the one being used by the Child Care Program, to streamline the process.

Department's Response: We concur with the recommendation to streamline the Central Office Contract Review and Approval Process. However, the process used to review the Child Care Program contract referred to in the report was a one time occurrence, not a process repeatedly used. While it did prove to be a more efficient process, it would require the availability of a dedicated contract attorney, available at all times to perform face to face reviews with Contract Managers and Contract Administration staff. We agree that the face to face approach should be used between contract managers and contract administration staff to reduce the number of rewrites and possible duplication of effort.

Recommendation: To better address the staff training requirements specified in Ch. 2005-222, *Laws of Florida*, we recommend the department take the actions described below.

- The department should survey contract managers who receive certification training and evaluate their responses to assess training sufficiency and make any necessary changes.
- The department should offer a condensed version of certification training to contract managers on a regular basis.
- The department should develop and implement a training manual and program for its contract monitoring staff.

Department's Response: The three recommendations on staff training are responded to below:

- We concur with the recommendation for staff surveys for training sufficiency. The department routinely obtains immediate feedback from training and has used that feedback to develop many of the current contract training products. Additionally the CBC contract managers who attend quarterly information meeting are solicited for input into the agenda and to provide as many professional development opportunities as possible.
- We concur with the recommendation for condensed certification training. Many contract administrators present a Re-Certification training annually and we will continue to offer one-day training at Central Office for immediate need cases.

Department of Children and Families
Response to Office of Program Policy Analysis and Government Accountability
"The Department of Children and Families Has Taken Steps to Address 2005
Contracting Law"

- The department concurs that contract monitoring staff will benefit from training as described in the recommendation and will dedicate resources to develop and implement a training program. This will become the priority after the same resources complete the development and implementation of the contract-monitoring component of the redesigned Quality Assurance (QA) function. The monitoring function plans to do a survey of contract monitors as part of its training needs assessment. In addition, a training manual for contract monitoring will be developed in preparation for a statewide meeting in the summer.

The Florida Legislature

Office of Program Policy Analysis and Government Accountability



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