



CHIEF FINANCIAL OFFICER
JEFF ATWATER
STATE OF FLORIDA

March 12, 2015

Mr. Drew J. Breakspear, Commissioner
Office of Financial Regulation
200 East Gaines Street
Room 118, Fletcher Building
Tallahassee, Florida 32399-0370

Dear Commissioner Breakspear:

The Bureau of Auditing (Bureau) performs audits in accordance with section 17.03, Florida Statutes (F.S.). This statute relates to the Chief Financial Officer's (CFO) responsibilities to settle the claims of the state using various methods. The Bureau also audits pursuant to the requirements of section 215.971, F.S., for grant agreements funded with federal and state monies. Audits on contractual services agreements are audited pursuant to sections 287.057 and 287.058(1), F.S. The CFO also issues memorandums that provide additional audit requirements.

The Bureau audits contracts and grants to determine whether:

- The agreement clearly establishes the tasks to be performed by the provider (has a clearly defined scope of work).
- The agreement defines quantifiable, measurable, and verifiable units of deliverables that must be received and accepted before payment is made.
- The agreement specifies the financial consequences that the agency must apply if the provider fails to perform in accordance with the contract.
- The agreement contains provisions of §287.058, F.S.
- The manager provided written certification for the receipt of goods and services.

Because many of the deficiencies in agency contract and grant agreements stem from poor contract management and a lack of effective monitoring, the Bureau visits agencies and reviews contracts, along with the contract manager's files. In addition to reviewing the contract document, the Bureau evaluates the contract management function to determine if the agency is monitoring the contractor's performance and validating the actual delivery of goods and services.

FLORIDA DEPARTMENT OF FINANCIAL SERVICES

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These audits result in written reports to the agency, with the agency providing a corrective action plan to address any deficiencies noted during the audit. To date, 26 have been completed and the results are available on the Bureau website

http://www.myfloridacfo.com/aadir/auditing_activity.htm.

An audit of 10 Office of Financial Regulation (OFR) grants and contracts was performed in 2011, resulting in a contract management deficiency rate of 10%. In response, OFR submitted a corrective action plan (CAP). Both the 2011 audit report and the OFR's CAP can be found on the Bureau's website.

As a follow-up, we have concluded our audit of selected OFR contracts effective on or after July 1, 2013 through July 1, 2014, and related management activities. Our audit focused on OFR's compliance with the CAP and following statutory requirements:

- Contract/grant agreements must contain a clear scope of work.
- Contract/grant agreements must contain deliverables that are quantifiable, measurable, verifiable and directly related to the scope of work.
- Contract/grant agreements must contain financial consequences that an agency must apply if the provider fails to perform in accordance with the agreement.
- Contract/grant agreements contain all other provisions of §287.057 and §215.971, F.S.
- Contract/grant managers must complete training as required by statute.
- Contract/grant managers must enforce performance of the agreement terms and conditions; review and document all deliverables for which payment is requested by service providers; and provide written certification of the receipt of goods and services by OFR.

A total of four (4) agreements were selected for audit. Of those selected, the agreement with **Veritec Solutions** was reviewed to determine if it contained all the required contract provisions. There were no deficiencies identified.

Additionally, the contract management files for all four (4) agreements were reviewed for management activities which resulted in a contract management deficiency rate of 75%. There are areas where improvements can be made. Attachment A provides a summary of all four (4) agreements audited.

Contract/Grant Management

Contract and Grant managers must enforce performance of the contract terms and conditions, review and document all deliverables for which payment is requested and provide written certification of the Agency's receipt of goods and services and ensure all payment requests are certified.

Our audit determined that OFR had contract/grant management deficiencies with three (3) agreements. Specifically, the following was noted:

- Services provided by **Bank of America** were not verified against data generated by OFR prior to certifying invoices for payment. Instead, OFR is comparing vendor-generated data with vendor-generated data to determine if services have been received as stated on the invoice. The verification process should include reconciling vendor-generated data to the OFR's monthly application data which is controlled and maintained by OFR.
- OFR did not document their review of services provided by **KPMG, LLP** prior to certifying payment as required by CFO Memorandum No. 6(2011-2012). KPMG, LLP is to provide expert advisory services for the implementation of OFR's Check Cashing Database system by another provider. KPMG was required to report services performed through the submission of reports. According to OFR, monthly meetings are held with the vendor to discuss the reports and verify services performed. However, these meetings are not documented.
- The agreement with **Accenture, LLP** required the provider to maintain general liability and workers compensation insurance throughout the life of the agreement. OFR verified insurance for the first four (4) months of the term. OFR was unable to provide evidence that the provider's insurance coverage during the remainder of the agreement's term was verified.

Please provide OFR's corrective action plan which addresses how these deficiencies will be corrected for future contracts. This plan should include steps OFR will take to provide a system of quality control, including training, periodic management review, and feedback to OFR staff that develop and manage contracts and grants. We request that the plan be submitted within 30 days of receipt of this letter.

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Our office provides Contract Manager Training that would be beneficial to your staff. Additional information on these classes is available at

<http://www.myfloridacfo.com/aadir/AuditingTraining.htm>

We appreciate your staff's support and cooperation during the audit. Please contact Mark Merry, Chief of the Bureau of Auditing, at [REDACTED] if you have any questions.

Sincerely,

[REDACTED]

Christina Smith

cc: Ms. Karen Fisher, Inspector General

Attachment A

Office of Financial Regulation

				Contract/Grant Agreement						
Agreement Number	Service Provider	Contract Amount	Agreement Type	Scope of Work/Deliverables	Financial Consequences	State and Federal Financial Assistance	Other	Contract/Grant Management	Cost Analysis	TOTAL NUMBER OF AREAS WITH DEFICIENCIES
OFR-FIN-0022	Bank of America	\$84,000	Standard Two Party Agreement by Statute	NA*	NA*	NA*	NA*	N	N/A	1
PO589157	KPMG LLP	\$509,948	Purchase Order	NA*	NA*	NA*	NA*	N	NA	1
OFR-COM-0011	Accenture LLP	\$5,271,388	Standard Two Party Agreement by Statute	NA*	NA*	NA*	NA*	N	NA	1
OFR-FIN-0029	Veritec Solutions	\$226,500	Standard Two Party Agreement by Statute	Y	Y	Y	Y	Y	NA	0
TOTAL NUMBER OF AGREEMENTS WITH DEFICIENCIES				NA	NA	NA	NA	3	0	

NA* - Contract was reviewed by the Bureau of Auditing prior to this audit