



CHIEF FINANCIAL OFFICER  
**JEFF ATWATER**  
STATE OF FLORIDA

January 19, 2016

Terry L. Rhodes, Executive Director  
Department of Highway Safety and Motor Vehicles  
2900 Apalachee Parkway, MS1  
Tallahassee, Florida 32399-0500

Dear Executive Director Rhodes:

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 contains a scope of work that clearly establishes the tasks to be performed by the provider;
- 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 section 287.058, F.S.; and
- 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 conducts on-site reviews of contracts and contract managers' 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. These audits result in written reports to the agency, with the agency providing a corrective action plan to address any deficiencies noted during the review. To date, 34 audits have been completed and the results are available on the Bureau website, [http://www.myfloridacfo.com/aadir/auditing\\_activity.htm](http://www.myfloridacfo.com/aadir/auditing_activity.htm).

FLORIDA DEPARTMENT OF FINANCIAL SERVICES

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The Bureau conducted an audit of 25 Department of Highway Safety and Motor Vehicles (Department) agreements in 2012. Our audit disclosed a contract deficiency rate of 24 percent and a management deficiency rate of 68%. In response, the Department submitted a corrective action plan (CAP). As a follow-up to ensure corrective actions were implemented and operating effectively, we have concluded our audit of selected Department contracts and grants active October 1, 2014 through September 30, 2015, and related management activities. Our audit focused on compliance with the CAP and the 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 section 287.058, F.S. or section 215.971, F.S.
- Agencies must comply with the provisions of section 216.3475, F.S., and related CFO Memoranda.
- 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 Department's receipt of goods and services.

Our audit included a review of ten (10) agreements totaling \$23,888,594. Each of the agreements was reviewed to determine if required contract provisions were included. Additionally, we reviewed the contract management files for all ten (10) agreements. There were areas where improvements can be made. A summary of our review is included as Attachment A.

### **Contract Management**

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

Our audit disclosed that the Department had contract management deficiencies with four (4) agreements. Specifically, the following was noted:

#### **Invoice Verification**

The Department was unable to provide evidence all expenditures were verified as required by CFO Memorandum No. 01 (1997-98) and the Reference Guide for State Expenditures, for invoices totaling \$6.9 million. The Department reimbursed **WEX Bank** monthly for fuel, repairs and maintenance for state owned vehicles charged to the WEX bank charge card. The Department verified charges for repairs, maintenance and out-of-state fuel by reconciling employee submitted charge receipts to the itemized charges listed on the invoice; however, paid receipts for in-state fuel charges were maintained in the field

and were not reconciled to the invoice. The Department paid an average of \$833,000 monthly for in-state fuel purchases without verifying the charges were accurate.

As a measure to identify fraudulent fuel purchases, the Department created an exception report to identify single fuel charges in excess of \$150. The exception report is forwarded monthly to the division(s) where the charge originated for management review; however, the Department confirmed there was no follow-up to verify the reports had been reviewed by division management.

The Department compensates the **Transportation Security Administration** for each nationwide background check performed on commercial drivers who have paid the fee for a hazardous materials endorsement. TSA submits a monthly invoice along with an itemized report of drivers for whom a background check was performed. The Department did not reconcile the total amount of the invoice to the itemized report.

Additionally, there was no evidence to support the Department's comparison of approximately 1200 drivers included on the report to the drivers listed on the Motorist Maintenance database that establishes a driver's eligibility for a hazardous materials endorsement. When asked, the Department indicated that only four (4) or five (5) drivers included on the report were cross checked against the database. A review of .4 percent (.4%) of the drivers is insufficient to establish accuracy.

Without proper verification of the invoice amounts to the number of eligible drivers, the Department does not have reasonable assurance that the number of background checks billed is accurate.

#### Verification of Deliverables

Subsection 287.057(14), F.S. states that the agency shall designate an employee to function as contract manager who shall be responsible for enforcing performance of the contract terms and conditions. The Department had no monitoring procedures in place to verify receipt of all deliverables prior to certifying invoices for payment for the **Secure Records Solution, Inc. (SRS)** agreement. The 10-year agreement valued at \$1,143,607 establishes a fixed monthly payment for document retrieval, destruction and storage. The Department was unable to provide evidence of their verification that documents were retrieved as requested or that SRS was in compliance with performance measures established in the agreement. The auditor's review of documented requests made in September, 2015 revealed that 20 percent of these requests were not fulfilled in accordance with the terms and conditions of the agreement. In addition, the Department could not provide evidence that it verified scheduled documents had been destroyed by the provider, as required in the contract.

#### Contract Manager Certification Statement

The assigned contract manager for **WEX Bank** is responsible for the administrative duties associated with issuing, cancelling and maintaining card access. However, the certification statement was signed by the contract manager's supervisor. The supervisor did not review the invoice and has no knowledge that the services were satisfactorily received and in compliance with the terms of the agreement.

Contract Manager Training

Subsection 287.057(14) F.S., requires that each contract manager who is responsible for agreements in excess of the threshold amount for Category Two under section 287.017, F.S., must, at a minimum, complete training conducted by the CFO for accountability in contracts and grant management. The Contract Manager for the agreement with **American Association of Motor Vehicles Administrators** has not attended Advancing Accountability training since February 7, 2013, which is beyond the timeframe required by CFO Memorandum No. 04 (2014-2015) and CFO Memorandum No. 04 (2009-2010).

Pursuant to section 287.057(14)(b), F.S., the contract manager would now be required to complete the Florida Certified Contract Manager training since the value of the agreement exceeds \$100,000. At the time of the audit, the contract manager was not scheduled to attend either Advancing Accountability or the Florida Certified Contract Management training.

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

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,

A large black rectangular redaction box covering the signature area.

Christina Smith

## Attachment A

### Department of Highway Safety and Motor Vehicles

				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
PO671295	AMERICAN ASSOCIATION OF MOTOR V	\$ 139,745.79	Purchase Order	Y	Y	NA	NA	N	NA	1
ACE925	BILL2PAY LLC	\$ 275,000.00	Purchase Order	Y	Y	NA	NA	Y	NA	0
AD093A	DHS/TSA	\$ 510,000.00	Purchase Order	Y	Y	NA	NA	N	NA	1
AC8D5D	FIVE POINTS TECHNOLOGY GROUP IN	\$ 190,000.00	Purchase Order	Y	Y	NA	NA	Y	NA	0
AC99F4	LAW ENFORCEMENT PSYCHOLOGICAL A	\$ 115,000.00	Purchase Order	Y	Y	NA	NA	Y	NA	0
AC8BBC	NOVITEX ENTERPRISE SOLUTIONS, I	\$ 4,393,794.00	Purchase Order	Y	Y	NA	NA	Y	NA	0
PO725580	SECURE RECORDS SOLUTIONS, LLC	\$ 79,496.52	Purchase Order	Y	NA	NA	NA	N	NA	1
AC8ADC	SOGETI USA LLC	\$ 166,860.00	Purchase Order	Y	Y	NA	NA	Y	NA	0
ACF911	TALLAHASSEE COMMUNITY COLLEGE	\$ 1,210,000.00	Purchase Order	Y	Y	NA	NA	Y	NA	0
PO868325	WEX BANK DBA WRIGHT EXPRESS FINancial	\$ 16,808,698.00	Purchase Order	Y	Y	NA	NA	N	NA	1
<b>TOTAL NUMBER OF AGREEMENTS WITH DEFICIENCIES</b>				<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>4</b>	<b>0</b>	<b>4</b>