



CHIEF FINANCIAL OFFICER
JEFF ATWATER
STATE OF FLORIDA

May 12, 2014

Mr. Ananth Prasad, Secretary
Department of Transportation
605 Suwannee Street
Tallahassee, Florida 32399-0450

Dear Secretary Prasad:

The Bureau of Auditing 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(14) and 287.058(1), F.S. The CFO also issues memorandums that provide additional audit requirements.

The Bureau reviews 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).
- Whether the agreement defines quantifiable, measurable, and verifiable units of deliverables that must be received and accepted before payment is made.
- Whether the agreement specifies the financial consequences that the Agency must apply if the provider fails to perform in accordance with the contract.
- Whether 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. 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, twenty-two reviews have been completed and the results are available on the Bureau website:

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

FLORIDA DEPARTMENT OF FINANCIAL SERVICES

Christina Smith • Director

Division of Accounting and Auditing

200 East Gaines Street • Tallahassee, Florida 32399-0353 • Tel. 850-413-5510 • Fax. 850-413-5553

Email • christina.smith@myfloridacfo.com

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Mr. Ananth Prasad, Secretary
May 12, 2014
Page Two

We have concluded our review of selected Florida Department of Transportation agreements in effect on or after January 1, 2012 through December 31, 2012 and related management activities.

Our review focused on compliance with 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 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.

The Department identified 8,621 active agreements executed on or after January 1, 2012 for services other than public transportation construction valued at over \$35,000. Twenty agreements were selected for review, which included fourteen (14) service contracts and six (6) grant agreements. There are several areas where improvements can be made.

Scope of Work and Deliverables

Each service contract and grant agreement must contain a clear scope of work, deliverables directly related to the scopes of work, and minimum required levels of services, criteria to successfully evaluate satisfactory performance, and compensation for each deliverable. This structure is very important for payment processing; without it, the Department cannot gauge whether the state is receiving value and payments may be delayed by requests for additional documentation. In some cases, if any of these elements are missing, the only mechanism to provide payment to vendors may be through executed settlement agreements.

- Our review disclosed that one service contract and four grant agreements contained a scope of work that did not clearly establish the tasks to be performed.

Contract #	Service Provider	Contract Amt
AQC90	Jacksonville Port Authority	\$745,000
AQH34	RIDE Solution, Inc	\$400,000
AQ308	Tallahassee Community College	\$420,000
BDS55	Infinite Source Communications	\$589,000
AQM27	Commit 2B Fit, Inc	\$120,133

For example, we noted the following:

- The agreement between the Department and Tallahassee Community College to provide public service announcements to raise the awareness of alcohol abuse, drunk driving and occupant protection did not specifically provide the type of activities to be performed. The agreement “proposed” that funds were to be used to concentrate enforcement messages on-site at college sporting events and through media coverage, but did not require the funds to be used for the stated purpose. In addition, the agreement allowed TV ads, English and Spanish radio spots, banners, graphics, rotating LED and LED displays, public service announcements, internet advertising on the College Sports pages and game-day exposure, but did not specify the expected number of messages to be displayed for each media-type.
- The master agreement with Infinite Source Communications provided various public relations type services which may be acquired by the Department. Assignments are further described and commencement of work is authorized by issuing Letters of Authorization (LOA).

A review of the LOA sampled showed that the assignments did not always clearly specify the tasks to be performed. For example, the assignment description under LOA#1 and LOA#3 to “Design Public Information Salaries” authorized payment of salaries for a specific time period, but did not include the specific tasks to be performed.

- The agreement with Commit 2B Fit, Inc. did not include a description of services that would determine successful completion of the agreement. The objective of the agreement was to “offer assistance, through Walking Bus Coordinators, in making it easier and safer for Florida’s children in third and fourth grade to walk or cycle to and from public and private schools.” The services outlined in the agreement were described as, “work in collaboration...to provide safe walking and bicycling initiatives”; “work with the identified on-site Project coordinator...to implement the program.”; and “create all email communication and evaluation instruments to be sent to the schools through the Project coordinator.” Tasks outlined in the agreement included, “work through the on-site Project coordinator”; “meet with approving agency and collaborative partners”, and “conduct training”. The description of the services did not provide enough detail to clearly establish the tasks to be provided.
- In addition, our review identified deliverable issues with three service contracts and four grant agreements where the level of service required to be performed and/or criteria to determine successful completion of the deliverables before payment were not specified.

Contract #	Service Provider	Contract Amt
AQC90	Jacksonville Port Authority	\$745,000
AQH34	RIDE Solution, Inc	\$400,000
AQ308	Tallahassee Community College	\$420,000
C9104	Triangle Surveying & Mapping	\$319,974
BDS55	Infinite Source Communications	\$589,000
APZ32	Miami Dade County Florida	\$1,950,000
BDT77	Scheda Ecological Associates	\$500,000

For example, we noted the following:

- The Department's agreements with Triangle Surveying and Mapping and Scheda Ecological Associates allowed monthly progress payments without defining the monthly level of service expected by the Department prior to payment.
- Miami Dade Transit Authority was to provide transit service between Florida City and Marathon along US Highway 1. The agreement did not establish quantifiable minimum levels of service required of the recipient prior to payment, such as number of stops, location of stops and hours of operation.

Financial Consequences

Effective July 1, 2010, Section 287.058 (1),(h), F.S., requires service contracts to contain provisions for financial consequences an agency must apply if a provider fails to perform in accordance with a contract.

- Three service contracts did not contain financial consequences that meet the requirements of this section.

Contract #	Service Provider	Contract Amount
BDS55	Infinite Source Communications	\$589,000
BDR32	Shaw Environmental, Inc	\$272,638
BDT77	Scheda Ecological Associates	\$500,000

Contract/Grant Management

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

Our review disclosed that the Department had contract/grant management issues with three agreements. Specifically, we noted the following:

- The Department did not always receive required documentation and did not always adequately document activities to verify deliverables under the agreement with Commit 2B Fit, Inc.

The Department was to pay compensation to the provider by reimbursing for cost incurred. The Department could not provide all documentation needed to substantiate the cost incurred prior to approving a \$91,672.50 invoice for payment. After inquiry it was discovered that the Department paid for \$46,622 in cost that were not provided for in the agreement.

Contract #	Service Provider	Contract Amount
PO43793	Commit 2B Fit, Inc	\$120,133

- The Department did not always adequately document activities to verify deliverables for two service contracts.

Contract #	Service Provider	Contract Amount
BDS55	Infinite Source Communications	\$589,000
BDS99	Shaw Environmental, Inc	\$21,923,691

For example, the agreement between the Department and Shaw Environmental allowed progress payments for the satisfactory performance of the services agreed upon in each LOA. The Department approved payment for percentage of work completed which was determined by the vender. Documentation of the Department's activities to verify the percentage of work complete was not provided.

Other - F.S. 216.3475 Cost Analysis

Section 216.3475, F.S., requires state agencies to perform a cost analysis on agreements awarded on a noncompetitive basis. Additionally, the agencies are required to maintain records supporting the cost analysis, which include a detailed budget submitted by the entity awarded funding and the agency's documented review of individual cost elements from the submitted budget for allowability, reasonableness, and necessity.

- Our review disclosed the Department did not provide documentation verifying the Department's completion of the required cost analysis for one grant agreement.

Contract #	Service Provider	Contract Amount
AQC90	Jacksonville Port Authority	\$745,000

- In addition, the Department did not provide documentation to evidence the Department's review of individual cost elements from the submitted budget for allowability, reasonableness and necessity for two grant agreements.

Contract #	Service Provider	Contract Amount
PO43793	Commit 2B Fit, Inc	\$120,133
AQA59	East Central Florida Regional	\$79,451

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 Departmental staff that develop and manage contracts and grants. We request that the plan be submitted within 30 days of receipt of this letter.

Mr. Ananth Prasad, Secretary
May 12, 2014
Page Seven

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 review. Please contact Mark Merry, Chief of the Bureau of Auditing, at 850-413-3074 if you have any questions.

Sincerely,

A solid black rectangular box used to redact the signature of Christina Smith.

Christina Smith

CS/fe