



CHIEF FINANCIAL OFFICER
JIMMY PATRONIS
STATE OF FLORIDA

April 1, 2019

Mr. Ken Lawson, Executive Director
Department of Economic Opportunity
107 East Madison Street
Caldwell Building
Tallahassee, Florida 32399-4120

Dear Director Lawson:

As authorized in sections 17.03, 215.971(3), and 287.136, Florida Statutes (F.S.), the Department of Financial Services has conducted an audit of the Florida Department of Economic Opportunity's contract deliverables monitoring processes and selected contract and grant agreements. Our audit, conducted by the Division of Accounting and Auditing, Bureau of Auditing, focused on contracts/agreements active July 1, 2017, through September 30, 2018.

The results of our audit are included in the enclosed audit report. Pursuant to ss. 215.971(3) and 287.136, F.S., please provide within 30 days the Department's response and a corrective action plan to address the findings and recommendations in the report. If you have any questions, please contact Ms. Kim Holland, Bureau Chief, at (850) 413-5700 or Kim.Holland@MyFloridaCFO.com.

We appreciate the support and courtesy extended to our audit team. Completed reports of the Bureau of Auditing are available at <https://www.myfloridacfo.com/Division/AA/AuditsReviews/default.htm>.

Sincerely,


Paul Whitfield

PW/jf
Enclosure

c: Mr. James E. Landsberg, Inspector General

FLORIDA DEPARTMENT OF FINANCIAL SERVICES

Paul Whitfield • Director

Division of Accounting and Auditing

200 East Gaines Street • Tallahassee, Florida 32399-0393 • Tel. 850-413-5510 • Fax. 850-413-5553

Email • Paul.Whitfield@MyFloridaCFO.com

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JIMMY PATRONIS
CHIEF FINANCIAL OFFICER
STATE OF FLORIDA

Florida Department of Financial Services

STATUTORY AUDIT
CONTRACT DELIVERABLES MONITORING
FLORIDA DEPARTMENT OF ECONOMIC OPPORTUNITY

April 23, 2019

AUDIT AUTHORITY

The Department of Financial Services has performed an audit of the Florida Department of Economic Opportunity's (Department) contract deliverables monitoring processes for selected contracts. Authority for this audit is provided by sections 17.03, 215.971(3), and 287.136, Florida Statutes (F.S.). Our audit focused on contracts active from July 1, 2017 through September 30, 2018, and for which the contract managers were assigned primary monitoring responsibilities.

SUMMARY OF RECOMMENDATIONS

For some contracts, the Department's established contract monitoring processes assign the primary monitoring responsibilities to the applicable contract managers. For such contracts reviewed, the performance of the assigned monitoring responsibilities could be improved.

- Deliverables Monitoring – Contract managers, in some instances, had not followed established monitoring guidelines. Also, improvements are needed in the contract managers' certification of invoices and deliverables for payment.
- Cost Analysis – For contracts awarded on a noncompetitive basis, Department cost analyses did not always properly demonstrate that the contracted rate of payment for services did not exceed the competitive prevailing rate.

These summarized audit results are discussed in further detail under the applicable headings within this report. We recommend that Department management consider and use these findings and recommendations as a basis for improving the Department's contract management processes.

DELIVERABLES MONITORING

A contract monitoring process should generally include the components required by Chief Financial Officer (CFO) Memo No. 06 (2011-2012), Contract Monitoring and Documenting Contractor Performance, such as monitoring plans, risk assessment, procedures and criteria, and corrective action plans. The cornerstone of an effective contract monitoring process is the timely, independent verification of invoiced deliverables.

For some types of contracts, the Department's established contract monitoring processes generally assigned the primary monitoring responsibilities to the applicable contract managers, not a separate monitoring unit. For such contracts reviewed, contract managers, in some instances, had not followed established monitoring guidelines. Also, improvements are needed in the contract managers' certification of invoices and deliverables for payment.

- The Department's Purchasing and Contracting Guidelines states that contract managers should complete a risk assessment and establish a written monitoring plan, to be approved in writing by the contract managers' supervisor. For two contracts (Florida Housing Coalition, Inc., and Geographic Solutions, Inc.), the Department had not developed a risk assessment and/or monitoring plan. In response to inquiry regarding risk assessment and monitoring, one contract manager described the use of various cumulative review checklists to track the progress of deliverables, usually by date. For the second contract, a risk assessment had been completed, but the planned monitoring, although started September 2015, had not been completed. This contract manager indicated that monitoring is accomplished through invoice review with assistance by various program units. Completion of a risk assessment and approved monitoring plan would provide the Department additional assurance that monitoring activities properly address the substance of all required deliverables.
- A contract (Oppenheim Research, Inc.) beginning in 2014 for surveys for job vacancies and hiring needs required that the provider be monitored on-site at least once during the contract period and observations be documented. Required on-site monitoring included mail processes, telephone collection interviews, and physical and data security. In response to inquiry, the contract manager stated that no monitoring had been completed since her assignment as contract manager and no documentation was available to support completion of any previous on-site monitoring.
- For a contract (Geographic Solutions, Inc.) beginning in 2015 to create a Virtual One-Stop Software Service relating to state and federal workforce programs, most of the required service modules are in place. For this now operational system, the contractor is currently required to meet agreed service levels regarding system availability (99.5 percent uptime), transaction response times, and problem management. For system availability and transaction response metrics, the contractor is required to submit monthly service reports and allow the Department system access for verification purposes. For the monthly invoices reviewed, the invoice file included various documents relating to system uptime and response metrics, including a contracted monitoring report. Both the contract manager and contracts and grants manager had signed the invoices; however, the contract file did not describe the source and purpose of the included documents or otherwise include a written analysis as to whether such documents reliably demonstrated that the contracted service levels were met. Also, the contract file did not include documentation relating to the problem management service requirements.
- A contract (Worldwide Interactive Network, Inc.) for a career readiness training system with online skills assessment components required the system to be operationally functional 99.5 percent of the time on a 24/7/365 basis. For the invoices reviewed, the contractor provided an assertion that the total uptime was greater than 99.5 percent and submitted a report listing skills assessment usage by month and year only. For verification of this performance measure, the Department relied on the Local Workforce Development Boards (LWDBs) to convey problems with system utilization and functionality, but had not required more descriptive periodic reports from the contractor as to system uptime. Without receiving documentation which reliably demonstrates that the performance measure was met, the Department lacks a basis of determining whether a financial consequence was required (\$1,000 per occurrence per day). Also, the contract did not define deliverables regarding contractor responsibilities for online career readiness training and, for the invoices reviewed, the contract file included no documentation of participant usage of the training modules.
- A telephone translation services contract (Voiance Language Services, LLC) included reporting components such as speed to answer, waiting times for service, and call start and end times, and provided related performance measures, such as that 95 percent of all calls are to be answered

within 60 seconds. For the invoices reviewed, the contractor-provided phone system information did not include all the required reporting components. In response to inquiry, the contract manager provided a Call Detail report submitted by the contractor indicating that 82 percent of the calls were answered within 30 seconds. However, this Call Detail report did not address whether the remaining 18 percent of the calls were answered within 60 seconds. Absent contractor-provided phone system information that includes all reporting components and corresponds to the agreed-to performance measures, the Department lacks reliable data for certifying the deliverables for payment and/or determining whether financial consequences are required.

We recommend that Department management consider these exceptions to the established monitoring guidelines and provide additional training and supervision for contract managers who have primary monitoring responsibilities.

COST ANALYSIS

For contracts awarded on a noncompetitive basis, the Department is required (s. 216.3475, F.S., s 287.057(4), F.S., and CFO Memo No. 02 (2012-2013)) to prepare and maintain records to support, a cost analysis of contractor-submitted budgets to demonstrate that the contracted rate of payment for services does not exceed the competitive prevailing rate.

For four contracts, the Department's cost analyses generally included only summary cost categories and amounts. Further, the provided cost analyses documentation lacked the necessary detail to support the Department's conclusions that the contracted rate of payment for services did not exceed the competitive prevailing rates and that the budgeted cost categories and amounts were allowable, reasonable and necessary. (Policy and Research, LLC - Third-Party Evaluator Services, \$480,000; Geographic Solutions, Inc. – Miscellaneous, \$3,744,966; and Worldwide Interactive Network, Inc. - Skills Assessments and Career Readiness Training, \$3,000,000; Florida Housing Coalition, Inc. - Salaries and Fringe Benefits, \$600,000)

- For the contract with Geographic Solutions, Inc., the cost analysis included a statement that the contracted rates for services were consistent with the “rates previously charged under the currently existing contract;” however, the analysis did not reference a more in-depth review of the contractor costs. After inquiry, the Department provided a contractor-prepared spreadsheet summarizing fees for the contracted deliverables and modules and a statement that a budget was not applicable to commercial off-the-shelf software. Notwithstanding, the Department did not provide its evaluation of the cost/value of the commercial off-the-shelf software or how the contracted fees were competitive based on the software costs and the expected contractor personnel time and costs (e.g., staffing levels, qualifications, and percentage of effort, etc.).
- For the contract with Worldwide Interactive Network, Inc., the cost analysis included a statement that it was in the best interest of the state to accept the contractor's RFP response in lieu of resoliciting and described an additional review of response options and determination that one option provided the best value. The cost analysis provided did not address whether the budgeted cost category/ amount was allowable, reasonable, and necessary. After inquiry, the Department provided an updated cost analysis that provided a more detailed determination statement, further descriptive cost categories and amounts, and conclusions as to the whether the costs were allowable, reasonable, and necessary.
- For the contract with Policy and Research, LLC, the cost analysis included a statement that the Department had received only one responsive proposal and the contractor had been determined to provide the best value and described the objective factors considered. The analysis did not reference a more in-depth review of the contractor's RFP cost response which listed costs for the

various phases, reports, and services for the Skills Assessments and Career Readiness Training budget category. After inquiry, the Department provided an updated cost analysis accompanied by documentation concluding the proposal costs were reasonable and competitive.

- For the contract with Florida Housing Coalition, Inc., the cost analysis included a statement that the contractor was the only entity which had provided training and technical assistance for the contracted program and that met certain statutory qualifications. Notwithstanding, the Department had not completed a more in-depth review of expected contractor personnel costs (e.g., staffing levels, qualifications, and percentage of effort, etc.) against competitive prevailing rates.

For contracts awarded on a noncompetitive basis, the Department should act to ensure that cost analyses are properly documented to demonstrate in the public record that the contracted rate of payment for services does not exceed the competitive prevailing rate and that all budgeted costs are allowable, reasonable, and necessary.

DEPARTMENT OF ECONOMIC OPPORTUNITY RESPONSE

The Department's response to the findings and recommendations in this report is attached.

Direct inquiries regarding this report to Kim Holland, Bureau Chief, at (850) 413-5700 or kim.holland@myfloridacfo.com. Completed reports of the Division of Accounting and Auditing, Bureau of Auditing, are available at <https://www.myfloridacfo.com/Division/AA/AuditsReviews/default.htm>.

Ron DeSantis
GOVERNOR



Ken Lawson
EXECUTIVE DIRECTOR

April 22, 2019

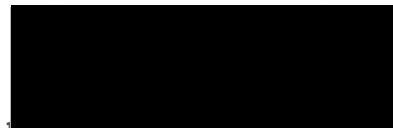
Mr. Paul Whitfield
Florida Department of Financial Services
200 East Gaines Street
Tallahassee, Florida 32399-0393

Dear Mr. Whitfield:

Enclosed is the Department of Economic Opportunity's response to the audit of contract monitoring processes and selected contract and grant agreements. We thank you and your staff for your recommendations.

If you have any questions, please contact Jim Landsberg, Inspector General, at (850) 245-7141.

Sincerely,



Brian McManus
Chief of Staff

BM/rd

Florida Department of Economic Opportunity | Caldwell Building | 107 E. Madison Street | Tallahassee, FL 32399
850.245.7105 | www.FloridaJobs.org
www.twitter.com/FLDEO | www.facebook.com/FLDEO

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Florida Department of Economic Opportunity

Response to Findings and Recommendations: Contract Deliverables Monitoring

Deliverables Monitoring

Auditor Findings and Recommendations: Contract managers, in some instances, had not followed established guidelines. Also, improvements are needed in the contract managers' certification of invoices and deliverables for payment.

We recommend that Department management consider these exceptions to the established monitoring guidelines and provide additional training and supervision for contract managers who have primary monitoring responsibilities.

Department of Economic Opportunity (DEO) Response: DEO has implemented a new contract and grant manager training course that began shortly after the end of the period covered by this audit. The course is required to be completed by all Department contract and grant managers annually, and will address many of the issues identified during the audit, including risk assessments and monitoring plans. In addition, DEO will use other issues highlighted by the audit to strengthen our training materials, and ultimately result in more comprehensive contract management skills.

Cost Analysis

Auditor Findings and Recommendations: For contracts awarded on a noncompetitive basis, Department cost analyses did not always properly demonstrate that the contracted rate of payment for services did not exceed the competitive prevailing rate.

For contracts awarded on a noncompetitive basis, the Department should act to ensure that cost analyses are properly documented to demonstrate in the public record that the contracted rate of payment for services does not exceed the competitive prevailing rate and that all budgeted costs are allowable, reasonable, and necessary.

Department of Economic Opportunity (DEO) Response: DEO's contract and grant manager training includes covering the requirement to complete a budget and cost analysis for each contract. This component of the training will be enhanced to integrate information from issues highlighted by the audit. The Department will be proactive in ensuring that contract and grant managers continue to be trained in all of the critical areas of contract management.