



CHIEF FINANCIAL OFFICER
JIMMY PATRONIS
STATE OF FLORIDA

August 15, 2024

Mr. Shawn Hamilton, Secretary
Florida Department of Environmental Protection
107 East Madison Street
Caldwell Building
Tallahassee, Florida 32399-4128

Dear Secretary Hamilton:

As authorized in sections 17.03 and 287.136, Florida Statutes (F.S.), the Department of Financial Services has conducted an audit of the contract management and monitoring processes for the Department of Environmental Protection (DEP) for the period of July 1, 2022, to June 30, 2023.

Objectives and Methodology

The objective of this review was to determine whether DEP, who is responsible for the administration, supervision, development, and conservation of Florida's natural resources, was complying with contract deliverables and monitoring efforts. DEP is responsible for the procurement, contract management, and monitoring of all DEP contracts.

The Florida Accountability Contract Tracking System (FACTS), as of June 6, 2023, indicated that DEP had a total of approximately 3,021 active contracts totaling \$6,680,000,000 billion. Our audit focused on standard two-party agreements/contracts that were active and closed during the period of July 1, 2022, through June 30, 2023. Our population included 2,637 contracts totaling \$3,533,206,658 billion or approximately 87% of the total active contracts and 53% of the total active contract dollars. Our review of the contract manager's files included six (6) contracts, three (3) active and three (3) that closed during the audit period. For the six (6) contracts, we reviewed a total of fourteen (14) invoices.

Summary of Recommendations

Based on our review, DEP has implemented internal controls regarding contract management and monitoring which are adequate, with the exception of a few areas noted during our review that needed improvement. We recommend DEP take them into consideration to improve internal controls.

Our review of the overall monitoring framework and contract management indicated that DEP should consider improving the monitoring processes with regards to complying with Chief Financial Officer (CFO) Memorandum Number (No.) 5. CFO Memorandum No. 5 requires agencies to have a formal monitoring process in place that includes a Risk Assessment and Monitoring Plan. DEP should implement a monitoring tool to demonstrate the monitoring efforts performed by the contract manager. DEP procedures "Contract Resource Guide" references CFO Memorandum No. 5 and provides some guidance on what types of monitoring to perform and suggested frequencies. However, the guide should be revised

FLORIDA DEPARTMENT OF FINANCIAL SERVICES
Renée Hermeling • Director
Division of Accounting and Auditing
200 East Gaines Street • Tallahassee, Florida 32399-0393 • Tel. 850-413-5510
Email • Renec.Hermeling@myfloridacfo.com
AFFIRMATIVE ACTION • EQUAL OPPORTUNITY EMPLOYER

Secretary Hamilton
August 15, 2024

to include directions regarding how to perform monitoring and the documentation required to demonstrate their monitoring efforts.

CFO Memorandum No. 5 also identifies all documentation required to be maintained within the contract manager's files. The contract manager's file did not always include all the required documentation per the contract agreement and/or did not always include adequate documentation to support the completion of the deliverables. Therefore, contract managers should ensure all required documentation is included with each invoice regarding deliverables prior to payment and maintained in the contract manager's files. DEP should ensure a final reconciliation is completed on all contracts supported by, for example, an End-of-Contract Financial Matters Analysis, Evaluation of completed deliverables, and Conclusion as whether the significant deliverables were accomplished. Per CFO Memorandum No. 1 and section (s.) 215.971 (2)(b) F.S., DEP should ensure a written certification statement is on each invoice and/or maintain the contract summary form. DEP should ensure all applicable dates are included on the invoice for receipt through approval to ensure invoices are reviewed with the 5-day required time frame per s. 215.422 (1) F.S. Finally, DEP should maintain travel authorization documentation in accordance with s. 215.422, F.S. These improvements will ensure contract management and monitoring efforts and the maintenance of documentation are properly performed.

We recommend that DEP continue to provide guidance and training requiring contract managers or contract monitoring units to complete an annual risk assessment and monitoring plan at the beginning of each fiscal year. The risk assessment and monitoring plan should include all contracts. DEP should ensure that contract managers are performing and documenting adequate monitoring efforts. We also recommend that DEP continues to provide guidance and training requiring the contract managers to maintain adequate documentation, reconciliation reports are completed, ensure that grant close-out procedures are being performed for all applicable grant agreements, ensure the applicable Florida Statute(s) are complied with, and maintained in the contract manager's files.

If you have any questions, please contact Ms. Kim Holland, Bureau Chief, at (850) 413-5700 or Kim.Holland@myfloridacfo.com. Please see the attached detailed summary for further information.

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,



Renée Hermeling, Director

RH/avg

CC: Ms. Candie Fuller, Inspector General

Detailed Summary

The following information is to provide the contract number (if applicable) and more specific details of the issues noted with each contract review.

1. We noted during our review of the Department of Environmental Protection's (Department) Contract Resource Guide, it does not provide adequate guidance to Contract Managers regarding monitoring deliverables and contractor performance. The Guide includes the completion of a risk assessment and informs the Contract Managers that a monitoring plan would need to be completed. It also lists examples of monitoring activities; however, it does not provide additional guidance such as monitoring the receipt of deliverables or a monitoring tool to use for documenting their monitoring efforts. Upon reviewing the documentation submitted by the Department's Contract Managers and the agency's point of contact, a risk assessment and monitoring plan were not submitted for our review.

Also, there was no monitoring documentation for two (2) of the six (6) contracts reviewed (GC121 & ES007). The remaining four (4) contracts (CN470, HW687, LPA0057, NS031) have evidence that some form of monitoring was performed; however, the monitoring documentation needs improvement. For example, a monitoring tool should be completed, and monitoring conclusions should be documented to show the Department's monitoring efforts.

Finally, the Department procedures "Contract Resource Guide" references Chief Financial Officer (CFO) Memorandum Number (No.) 5 and provides some guidance on what types of monitoring to perform and suggested frequencies. However, the guide should be revised to include directions regarding how to perform monitoring and the documentation required to demonstrate their monitoring efforts.

To comply with CFO Memorandum No. 5, adequate monitoring procedures must be in place. Contract Manager's monitoring efforts are critical to ensure deliverables are received with sufficient performance demonstrated. With the use of monitoring tools, the Contract Manager is able to sufficiently document their monitoring of the deliverables and performance of a contractor. The tool can also be used to monitor the contract's budget to ensure funds are not over-drawn and expended.

2. We noted during our review of contract numbers LPA0057 and NS031, that their closeout documentation submitted did not indicate that a final reconciliation was performed. The Contract Manager for NS031 and LPA0057 referred to the Closeout Checklist as the final reconciliation report in their response to our audit questions. Upon review of the checklists, we were unable to locate where a final reconciliation of funds was performed. The checklist was composed of five (5) questions that pertain to their agency's closeout process; however, none of those questions referred to a completion of a final reconciliation report.

Without performing a final reconciliation of funds after a contract close-out, the agency would not be able to verify the funds expended did not exceed the allowable contract amount and cause an over-payment.

3. We noted during our review of contract number GC121, that invoice number "121-Jun22" did not have a written certification from the Contract Manager stating the deliverables or performance of the contractor was completed. This is a task implemented by the Department by adding to invoices a section (section E) specifically for the Department to use. In this section, the Contract Manager fills out invoice received and approved dates, the service period, whether they met satisfactory performance, and a signature/date line. Since invoice number "121-Jun22" only had a receive date, approve date, and service date we could not determine whether the Contract Manager performed a review of the invoice. Without the Contract Manager's signature certifying the invoice, there is no documentation or certification a review was performed. We noted that this section was completed by Contract Managers for other invoices we reviewed.

Without providing a written certification from the Contract Manager that the goods and services were satisfactorily received, the agency would not be able to confirm that the deliverables on the invoice were received and approved before payment was made.

4. We noted during our review of contract number CN470, we could not locate a receive date to determine whether the invoice was approved for payment within five (5) working days. The Contract Manager digitally signed and dated the certificate for payment, which is located on the last page of the invoice. We used the date of the signature as the date of approval; however, we could not determine how many working days had lapsed from the invoice receive date.

Without recording the date invoices are received, the agency would be unable to determine whether the agency is in accordance with the 5-day requirement per section (s.) 215.422, Florida Statutes (F.S.).

5. We noted during our review of contract number HW687, that the contractor had travel expenses in the invoices we reviewed. The vehicle rates are established in the contract as fixed prices and the Department of Environmental Protection Cost Estimate form shows authorized expenses for hotel and per diem. Based on our conversations with the Department, it is our understanding that travel expenses are approved beforehand when the task assignment is approved; therefore, the documentation for the authorized travel should have been maintained and include the required documentation per s. 112.061, F.S. During our review, we did not locate travel authorization documentation to confirm that the travel was authorized.

Without appropriate supporting documentation for travel expenses, we are unable to determine whether the contractor and the Department were in accordance with s. 112.061. F.S.