



CHIEF FINANCIAL OFFICER
JIMMY PATRONIS
STATE OF FLORIDA

Date August 15, 2024

Mr. John Davis, Secretary
Department of the Lottery
250 Marriott Drive
Tallahassee, Florida 32301

Dear Secretary Davis:

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 the Lottery (DOL). Our audit, conducted by the Division of Accounting and Auditing, Bureau of Auditing focused on contracts active and closed from July 1, 2022, through June 30, 2023.

Objectives and Methodology

The objective of this review was to determine whether DOL, who is responsible for the regulation of the State of Florida's lottery and contributions to the success of education in Florida, was in compliance with the required contract deliverables and monitoring efforts. The DOL is responsible for the procurement, contract management, and monitoring of all DOL contracts.

The Florida Accountability Contract Tracking System (FACTS), as of June 6, 2023, indicated that DOL had a total of approximately 68 active contracts totaling \$1,570 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 audit population included 27 contracts totaling \$715,754,107 million or approximately 44% of the total active contracts and 46% of the total active contract dollars. We reviewed five (5) contracts, three (3) active standard two party agreements and two (2) purchase orders that closed during the audit period. For these five (5) contracts, we reviewed a total of Twenty (20) invoices.

Summary of Recommendations

Based on our review of DOL, they have implemented internal controls regarding contract management and monitoring which are adequate, with the exception of a few areas noted during our review that need improvement. We recommend consideration to improve internal controls.

Our review of the overall monitoring framework and contract management indicated that DOL 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. DOL should also consider implementing a monitoring tool to demonstrate the monitoring efforts performed by the contract manager. CFO Memorandum No. 5 also identifies all documentation required to be maintained within the Contract manager files. Therefore, contract managers should ensure all

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required documentation is included with each invoice for each deliverable prior to payment and maintained in the contract manager files.

Regarding CFO Memorandum No. 3 and My Florida Marketplace (MFMP) purchases, 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 make the determination that the deliverables were completed before the payment was made. DOL should also ensure the Contract Summary Form (CSF) is completed or provide the required information on the Invoice Reconciliation (IR). DOL 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. 215.44 (1) F.S. DOL should ensure contracts include all the required language per Chapter 287, F.S., and all documents referred to in the contract should be part of the contract as an attachment. These improvements will ensure monitoring efforts and the maintenance of documentation are properly performed.

We recommend that DOL continue to provide guidance and training requiring the contract managers to maintain adequate documentation, completing the CSF, approving invoices within the required 5 working days, and ensuring contract language is in accordance with Chapter 287, F.S. We also recommend that DOL continue to provide guidance and training requiring contract managers to complete risk assessments and monitoring plans at the beginning of each fiscal year in compliance with CFO Memorandum No. 5 and include them in the contract manager's file.

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: Mr. Andres Mompeller, Inspector General

Detailed Summary

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

1. To ensure providers deliver the contracted services in accordance with contract performance standards for quality, quantity, and timeliness, the Department of Lottery (Department) is required to establish a monitoring process. Pursuant to Chief Financial Officer (CFO) Memorandum Number (No.) 5, the Contract Manager's file must contain all the documentation that is required by this memorandum and the contract agreement. The required documentation includes a risk assessment, monitoring plan, monitoring procedures and criteria, evidence to support monitoring conclusions, corrective action plan (if applicable), and follow-up on corrective action (if applicable).

We noted during our review of the Department's procedures, Financial Assistance Requirements for Grant Disbursement Agreements, states that "the risk assessment and monitoring plan are the responsibilities of the grant manager." Within the Aviation Program Management procedures, we did not note any requirements for a risk assessment or monitoring plan to be completed by the District Offices' Contract Managers. The Department stated in their monitoring responses that: "A Contract Manager is assigned to each contract, and every contract is monitored."

Based on our review of the documentation provided, we were not provided with any risk assessments or monitoring plans for each contract or an annual risk assessment and monitoring plan. Without the completion of an annual risk and monitoring plan of all contracts and grants, the Department does not have supporting documentation for their decision to monitor 100% of the contracts and grants annually.

2. Pursuant to section (s.) 287.057, (15) (a) (2), Florida Statute (F.S.), for each contractual services contract, the agency shall designate an employee to function as Contract Manager who is responsible for enforcing performance of the contract terms and conditions and serves as a liaison between the contractor and the agency. One of the primary responsibilities of a Contract Manager is to "Monitor the contractor's progress and performance to ensure procured products and services conform to the contract requirements and keep timely records of findings."

Based on our review of the voucher packages and responses provided for contract numbers G2B81, G0Y89, G1C25, and GE125, we noted that there was no documentation showing any monitoring was conducted by the Contract Managers outside of the Contract Managers' review of the Project Monitoring Status Report to determine the progress and/or performance of the contract. For contract number BEC37, the Department stated that such documentation can be found in the voucher package provided; however, we were unable to determine how the Contract Manager monitors the progress and/or performance of the contract.

3. The Florida Single Audit Act, s. 215.97(2), F.S., establishes state audit and accountability requirements for state financial assistance provided to nonstate entities. Rule Chapter 69I-5, Florida Administrative Code (F.A.C), states that State awarding agencies must use Form DFS-A2-PD, Florida Single Audit Act State Project Determination Checklist (DFS-A2-PD) to evaluate the applicability of the Florida Single Audit Act to a state program for inclusion in the Catalog of State Financial Assistance (CSFA).

The Department informed us that Form DFS-A2-PD was on file with the Department of Financial Services since the inception of the Florida Single Audit Act. During our review of the documentation, we noted that we were not provided with a copy of this form for contract numbers G0Y8 and G1E25. For contract agreement numbers BEC37 and DOC78, the Department stated that our criterion was not applicable and did not provide copies of a completed Project Determination Checklist.

All contract/grant documentation should be maintained in the Contract Manager's contract/grant file and not rely on the Department of Financial Services to be their repository for documentation. Therefore, the Department is not in compliance with s. 215.97(2), F.S., and Chapter 69I-5, F.A.C.

4. The CFO Memorandum No. 4 and s. 215.971, (2), (C), F.S., states, "The grant manager shall reconcile and verify all funds received against all funds expended during the grant agreement period and produce a final reconciliation report. The final report must identify any funds paid more than the expenditures incurred by the recipient or subrecipient."

Based on our review of grant agreement numbers G1E25 and G0Y89, both grants were assigned CSFA 55.004. However, we were not provided any documentation supporting the completion of a Final Reconciliation report, End-of-Contract Financial Matters Analysis, Evaluation of completed deliverables, and Conclusion as to whether the significant deliverables were accomplished or not.

Pursuant to CFO Memorandum No. 4, "Regardless of the payment method, each agency should have policies and procedures to describe how they are validating whether the funds paid to providers are expended appropriately (allowable, reasonable, and relevant)."

5. One of our objectives for this audit is to evaluate the Agency's contract/grant management and monitoring activities that verify satisfactory receipt of deliverables and compliance with agreement terms and conditions in accordance with Chapter 287, F.S., and s. 215.971, F.S.

During our review of contract number BEC37, we noted that the contract language did not include provisions required by State law, Chapter 287, F.S. The scope of work did not clearly establish all the tasks the contractor is required to perform.