



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 within 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 and more specific details of the issues noted with each contract review.

1. During our review of the Department's Contract Administration and Management Procedures, we note that it states: "The contract managers are responsible for conducting a risk assessment and developing a monitoring plan for how the delivery of commodities or contractual services will be monitored." We also noted in the monitoring responses received from the Department's management stating: "The Department's Contract Managers do not maintain an annual risk assessment or official monitoring schedule (plan) of the Contracts they are assigned to, as they complete continuous monitoring." Therefore, the Department did not submit a risk assessment or monitoring plan for any contract or purchase order agreement.

Without the developing of an annual risk assessment, contract managers are unable to properly plan monitoring activities to be performed and develop a manageable monitoring plan for the fiscal year.

2. Based on our review of the Invoice Reconciliation documents for MFMP services received for all invoices found under purchase order no. C00E4E and C0E048, the contract managers did not complete, attach, or provide a certified statement in lieu of a completed CSF form. Since, the Department's contract managers did not complete a certified statement for the MFMP services received, we were unable to determine whether payments were certified by the contract manager or someone else and that the deliverables had been received.

Without the contract manager(s) certified statement on each invoice or the completion of the Contract Summary Form (CSF) for MFMP service payments, we are unable to verify whether the contract manager verified that the goods and services were satisfactorily received, and payment is now due. The Department is also not in compliance with the requirements established in CFO Memo No. 03.

3. During our review of the contract/purchase order agreement invoices/voucher packages, we found the following review of invoices goods/services received, and approval took longer than allowed.
 - Within the Department's ITN Project Number: 001-14/15 and Contract Agreement for Contract No. A1046, we found no provision mentioning that payments shall be made in accordance with section 215.422, Florida Statutes (F.S.) Although we didn't find any provision regarding section 215.422, F.S., the only instance that the contract manager or the delegated contract manager did not inspect and approve the services within 5 working days was for invoice no. 13381. This invoice was approved on the 6th working day, therefore making it late by only one day.
 - Within Contract Agreement for Contract No. A1094, we found no provision mentioning that payments shall be made in accordance with section 215.422, F.S. Although we didn't find any provision regarding section 215.422, we were able to determine the following:
 1. Invoice no. 1043952 services were inspected and approved on the fourteenth (14) working day, therefore making it late by nine (9) working days.
 2. Invoice no. 1044388 services were inspected and approved on the ninth (9) working day, therefore making it late by four (4) working days.
 3. Invoice no. 1045631 services were inspected and approved on the seventh (7) working day, therefore making it late by two (2) working days.
 - Within Contract No. A1124 agreement, it states: "The Lottery shall have fifteen (15) working days to inspect and approve the services." We were able to determine the following:
 1. Invoice No. 1110279 services were inspected and approved on the sixth (6) working day, therefore, making it late by one day.
 2. Invoice No. 11120189 has a very illegible date stamp of, however, services were inspected and approved on sixteenth (16) working day, therefore, making it late by 11 working days.

- Purchase Order (P.O.) No. C0E048 and C00E4E agreements, states: " the Agency has ten (10) working days to inspect and approved commodities and/or services." For these purchase order agreements, based on our review, the following was determined:
 1. P.O. No. C0E048, Invoice No. 3541, services were inspected and approved on the fourteenth (14) working day, therefore making it late by four (4) working days.
 2. P.O. No. C0E048, Invoice No. 3639, services were inspected and approved on the twenty-second (22) working day, therefore making it late by twelve (12) working days.
 3. P.O. No. C0E048, Invoice No. 3702, services were inspected and approved on the twelfth (12) working days, therefore making it late by two (2) working days.

Per section 215.422 (1), Florida Statutes, (F.S.), "For the purposes of determining the receipt of invoice date, the agency or the judicial branch is deemed to receive an invoice on the date on which a proper invoice is first received at the place designated by the agency or the judicial branch. The agency or the judicial branch is deemed to receive an invoice on the date of the invoice if the agency or the judicial branch has failed to annotate the invoice with the date of receipt at the time the agency or the judicial branch actually received the invoice or failed at the time the order is placed or contract made to designate a specific location to which the invoice must be delivered." Since some of the invoices reviewed did not have a legible date stamp or any annotations deeming a received date; to determine the date of invoice receipt, we deemed the invoices to be received by the agency on the date of the invoice.

Without appropriately notating the invoice receipt date on the agency's invoices, the agency is unable to determine the correct receipt date of invoice; and therefore, not be in accordance with section 215.422 (1), F.S.

4. During our review of contract no. A1094, we noted that the contract was missing provisions required by Chapter 287, F.S. The contract does not include language for the following: 1) That bills for fees or other compensation for services or expenses be submitted in detail sufficient for a proper preaudit and post audit thereof; 2) A scope of work that clearly establishes all tasks the contract is required to perform; and 3) Each deliverable must be directly related to the scope of work and specify a performance measure. As used in this paragraph, the term "performance measure" means the required minimum acceptable level of service to be performed and criteria for evaluating the successful completion of each deliverable deliverables that are quantifiable, measurable, and verifiable, language of financial consequences, and performance measures that require a minimum level of service to be performed and criteria for evaluating the successful completion of each deliverable. Within the contract agreement, the agency refers to the Invitation to Negotiate (ITN) and Contractor's Reply when it comes down to the scope of work. Furthermore, the performance measure, meaning the required minimum acceptable level of services was not established.

If the contract is not written as required by Chapter 287.057 F.S., the contract is not in compliance and does not provide adequate controls to ensure the deliverables will be provided to benefit the State.