



CHIEF FINANCIAL OFFICER  
JEFF ATWATER  
STATE OF FLORIDA

November 29, 2011

Ms. Elizabeth Dudek, Secretary  
Agency for Health Care Administration  
2727 Mahan Drive  
Tallahassee, Florida 32308

Dear Secretary Dudek:

The Department of Financial Services (DFS) has concluded its review of selected Agency for Health Care Administration (AHCA) contracts/grant agreements in effect on or after July 1, 2010, and the related contract/grant management activities. The review focused on compliance with the following statutory requirements:

- Each contract must include a clear scope of work.
- Each contract must include deliverables which are directly related to the scope of work, and are quantifiable, measurable, and verifiable.
- Each contract must contain financial consequences for non-performance.
- Contract managers must enforce performance of the contract terms and conditions; review and document all deliverables for which payment is requested; and provide written certification of the Agency's receipt of services.

We reviewed twenty service contracts and there are several areas where improvements can be made.

### **Scope of Work and Deliverables**

Each contract must include a clear scope of work; deliverables that are directly related to the scope of work; minimum required levels of service(s); criteria to successfully evaluate satisfactory performance; and compensation aligned with each deliverable. This contract structure is critical to ensuring the accountability of state expenditures; including assurance that the State is receiving value in its purchases and that the contractor is performing satisfactorily. In some cases, if any of these elements are missing, the only mechanism to provide payment to vendors may be through executed settlement agreements.

### **Scope of Work**

One contract did not contain a clear scope of work with minimum performance standards. The contract included vague descriptions of activities such as creating partnerships, conducting outreach, developing strategies, promoting sustainable activities and engaging in collaborative efforts without clearly defining the level of effort that would constitute successful performance of each task.

| Contract # | Service Provider            | Contract Amount |
|------------|-----------------------------|-----------------|
| MED077     | University of South Florida | \$825,000.00    |

### **Deliverables**

Two contracts did not contain adequate deliverables. Payments for the first contract were based on quarterly provider reports and did not establish a minimum level of acceptable performance. The second contract did not contain any deliverables for year two of the contract.

| Contract # | Service Provider            | Contract Amount |
|------------|-----------------------------|-----------------|
| MED077     | University of South Florida | \$825,000.00    |
| MED111     | Florida State University    | \$648,056.00    |

### **Other**

AHCA contracted through a state term contract for remote, disaster recovery IT services. However, AHCA agreed to pay the vendor rates that exceeded the maximum allowed under the state term contract. For example, AHCA contracted to purchase “Managed Full Rack” services at \$720 per month, but the maximum allowable rate under the State Term Contract (STE) for these services was \$441 per month.

| Contract # | Vendor  | Contract Amount |
|------------|---------|-----------------|
| DO2296101  | DSM.net | \$39,364.60     |

### **Contract/Grant Management**

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

As part of payment processing, contract managers must certify that services are satisfactorily received and payment is due prior to submitting the invoices to Accounting for payment. Payments related to two services contracts were missing the required written certification statement by the contract manager.

| <b>Contract #</b> | <b>Service Provider</b>             | <b>Contract Amount</b> |
|-------------------|-------------------------------------|------------------------|
| DO2444584         | Infinity Software Development, Inc. | \$122,040.00           |
| DO2179396         | VERSA Management Systems            | \$178,200.00           |

**Validation of Vendor Timesheets**

No documentation was provided for six services contracts to evidence that the number of hours billed by vendors had been verified by the AHCA prior to approving invoices for payment. The verification process should include reconciling vendor-generated data, such as timesheets and activity reports, to data controlled and maintained by AHCA or an independent third party.

| <b>Contract #</b> | <b>Vendor</b>                      | <b>Contract Amount</b> |
|-------------------|------------------------------------|------------------------|
| DO2195194         | Cornerstone Software Services      | \$116,200.00           |
| DO2417568         | Sogeti USA, LLC                    | \$81,320.00            |
| DO2444584         | Infinity Software Development, Inc | \$122,040.00           |
| DO2038036         | Imager Software, Inc               | \$260,680.00           |
| DO2037549         | Technisource, Inc                  | \$145,600.00           |
| DO2035512         | Imager Software, Inc               | \$274,935.00           |

**Documentation of Services**

Our review disclosed that the contract management activity for six contracts was not sufficient, as the contract manager did not document verification that services were delivered satisfactorily prior to approving invoices for payment. The validation process should include reconciling vendor-generated data, such as timesheets and activity reports, to data controlled and maintained by AHCA or an independent third party. The contract files should contain documentation of the steps taken to verify service delivery.

| <b>Contract #</b> | <b>Vendor</b>   | <b>Contract Amount</b> |
|-------------------|---|------------------------|
| DO2444584         | Infinity Software Development, Inc                    | \$122,040.00           |
| DO2038036         | Imager Software, Inc                                  | \$260,680.00           |
| DO2037549         | Technisource, Inc                                     | \$145,600.00           |
| DO2035512         | Imager Software, Inc                                  | \$274,935.00           |
| HAQ011            | Florida Coalition on Donation DBA Donate Life Florida | \$721,500.00           |
| MED098            | University of Florida                                 | \$994,000.00           |

Ms. Elizaeth Dudek, Secretary  
November 29, 2011  
Page 4

**Other**

The documentation related to services performed for one service contract was not always consistent with the services included in the contract, the vendor's invoices, or the related STC. This contract was procured through a STC and included three staff augmentation positions consistent with the related STC. Invoices submitted by the vendor and approved for payment by AHCA reflected the hourly work of the three positions as stated in AHCA's contract with the vendor and the related STC. However, the documentation provided by AHCA to support service delivery reflected services of only two staff augmentation positions and the receipt of hosting services. Hosting services were not included in ACHA's contract with the vendor or the related STC.

If AHCA intended to purchase hosting services, an appropriate procurement method should have been used. Additionally, AHCA's contract and the vendor's invoices should identify the services purchased.

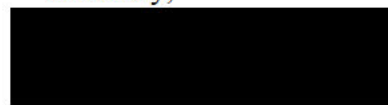
| <b>Contract #</b> | <b>Vendor</b>        | <b>Contract Amount</b> |
|-------------------|----------------------|------------------------|
| DO2035512         | Imager Software, Inc | \$274,935.00           |

Please provide AHCA's corrective action plan which addresses how these deficiencies will be corrected for future contracts. This plan should include steps AHCA will take to provide a system of quality control, including training, periodic management review, and feedback to AHCA staff that develop and manage contracts and grants. We request that the plan be submitted within 30 days of receipt of this letter.

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,



Christina Smith

CS/fe