



CHIEF FINANCIAL OFFICER  
JEFF ATWATER  
STATE OF FLORIDA

March 12, 2013

Ms. Barbara Palmer, Director  
Agency for Persons with Disabilities  
4030 Esplanade Way  
Tallahassee, Florida 32399-0950

Dear Ms. Palmer:

The Bureau of Auditing (Bureau) performs audits in accordance with Section 17.03, Florida Statutes. This statute relates to the Chief Financial Officer's (CFO) responsibilities to settle the claims of the state using various methods. The Bureau also audits pursuant to the requirements of Section 215.971, Florida Statutes, for grant agreements funded with Federal and State monies. Audits on contractual services agreements are audited pursuant to Sections 287.057(14) and 287.058(1), Florida Statutes. The CFO also issues memorandums that provide additional audit requirements.

The Bureau reviews contracts and grants to determine:

- Whether the agreement clearly establishes the tasks to be performed by the provider (has a clearly defined scope of work)
- Whether the agreement defines quantifiable, measurable, and verifiable units of deliverables that must be received and accepted before payment is made
- Whether the agreement specifies the financial consequences that the agency must apply if the provider fails to perform in accordance with the contract
- Whether the manager provided written certification for the receipt of goods and services.

Because many of the deficiencies in agency contract and grant agreements stem from poor contract management and a lack of effective monitoring, the Bureau visits agencies and reviews contracts, along with the contract manager's files. In addition to reviewing the contract document, the Bureau evaluates the contract management function to determine if the agency is monitoring the contractor's performance and validating the actual delivery of goods and services. These audits result in written reports to the agency, with the agency providing a corrective action plan to address any deficiencies noted during the review. To date, 17 reviews have been completed and the results are available on the Bureau website [http://www.myfloridacfo.com/aadir/auditing\\_activity.htm](http://www.myfloridacfo.com/aadir/auditing_activity.htm).

We have concluded our review of selected Agency for Persons with Disabilities (Agency) contract/grant agreements in effect on or after July 1, 2011, and related management activities.

FLORIDA DEPARTMENT OF FINANCIAL SERVICES

Christina Smith • Director

Division of Accounting and Auditing

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Our review focused on compliance with the following statutory requirements:

- Contract/grant agreements must contain a clear scope of work
- Contract/grant agreements must contain deliverables that are quantifiable, measurable, verifiable and directly related to the scope of work
- Contract/grant managers must enforce performance of the agreement terms and conditions; review and document all deliverables for which payment is requested by service providers; and provide written certification of the Agency's receipt of goods and services.

We reviewed 23 service contracts. There are several areas where improvements can be made.

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

Each service contract must contain a clear scope of work, deliverables directly related to the scopes of work, and minimum required levels of services, criteria to successfully evaluate satisfactory performance, and compensation for each deliverable. This structure is very important for payment processing; without it, the Agency cannot gauge whether the State is receiving value and payments may be delayed by requests for additional documentation. In some cases, if any of these elements are missing, the only mechanism to provide payment to vendors may be through executed settlement agreements.

Our review disclosed that the Agency had scope of work and/or deliverable issues for two service contracts. Specifically, we noted the following:

- In the contract for Don Winstead Consulting, Inc., it was unclear what role the consultant would serve for the Agency. The service tasks were not clearly defined, did not establish a quantity of activities, and did not contain qualitative standards. The deliverables were defined as "one hour is a unit of service," without specifying what comprises a unit of service. In addition, the deliverables did not require a specific level of service or contain criteria to determine successful completion.
- There were conflicting terms in the contract for Applied Behavioral Consultants. The statement of work stated the provider could bill up to an average of 29 hours per week for 35 weeks which would allow the contractor to bill up to 1,015 hours. However, the payment terms limited the contractor's billable hours to 735 hours. This discrepancy reflects a total contract difference of \$18,200.

Contract #	Service Provider	Contract Amount
A5316F	Don Winstead Consulting, Inc	\$45,625
E1001	Applied Behavioral Consultants	\$118,775

### **Financial Consequences**

Effective July 1, 2010, Section 287.058(1)(h), Florida Statutes, requires service contracts to contain provisions for financial consequences a department must apply if a provider fails to perform in accordance with a contract.

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- Our review identified 12 service contracts that did not contain financial consequences that meet the requirements of this section.

Contract #	Service Provider	Contract Amount
ACF02	Arc Gateway Incorporated	\$180,000
ACF01	Horizons of Okaloosa County, Inc	\$165,667
EI001	Applied Behavioral Consultants	\$118,755
CM207	University of Florida	\$188,322
HL201	Devereux Foundation	\$274,125
QL2A6	R'Club Child Care, Inc	\$336,600
QCF01	Love Assured, Inc	\$187,853
QL1B0	Avacorp	\$81,513
A5316F	Don Winstead Consulting, Inc	\$45,625
A62DAA	Image API, Inc	\$51,157
JL259	Jacinta Sanchez	\$101,919
KL004	South Florida Autism Charter Schools	\$100,000

### Contract/Grant Management

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

- The Agency's contract management activity was not sufficient for five contracts as the Agency did not always verify that the deliverables required by the agreement were received and approved prior to payment or the number of client services billed for was actually the number delivered. Payments were approved based on provider-generated data such as invoices, status reports, and time reports without documented validation by the Agency.

Contract #	Service Provider	Contract Amount
QL2A6	R'Club Child Care, Inc.	\$336,600
A5316F	Don Winstead Consultant, Inc.	\$45,625
JL259	Jacinta Sanchez	\$101,919
A622B7	Strategic IT Alignment Group, LLC	\$96,300
CM207	University of Florida	\$188,322

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**Overpayment**

During our fieldwork we notified the Agency that four contracts had been overpaid. These overpayments included payment for services for an ineligible client, an invoice that was paid twice, and a vendor that was paid at a rate higher than the contract allowed. The Agency has recouped \$5,343.

Contract #	Service Provider	Contract Amount	Overpayment
QL2A6	R'Club Child Care, Inc.	\$336,600	\$97
QL1B0	Avacorp	\$81,513	\$2,717
JL259	Jacinta Sanchez	\$101,919	\$1,279
KL004	South Florida Autism Charter Schools	\$100,000	\$1,250

**Contract Agreement – Other**

One service agreement procured from a state term contract contained billing rates that were not in accordance with the hourly rates in the state term contract. For example, some of the deliverables were billed at fixed fee rates. The Agency could not provide documentation showing how the fixed fee rates tied back to the state term contract hourly rates.

Contract #	Service Provider	Contract Amount
A62DAA	Image API, Inc	\$51,157

Please provide the Agency's corrective action plan which addresses how these deficiencies will be corrected for future contracts. This plan should include steps the Agency will take to provide a system of quality control, including training, periodic management review, and feedback to Agency 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

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