



CHIEF FINANCIAL OFFICER  
JEFF ATWATER  
STATE OF FLORIDA

June 2, 2011

Mr. Ken Lawson, Secretary  
Florida Department of Business  
and Professional Regulation  
1940 North Monroe Street  
Tallahassee, Florida 32303

Dear Secretary Lawson:

We have concluded our review of selected Department of Business and Professional Regulations service contracts/grant agreements in effect on or after July 1, 2010, and related management activities. Our review focused on compliance with the following statutory requirements:

- Service contracts/grant agreements must contain a clear scope of work.
- Service contracts/grant agreements must contain deliverables that are quantifiable, measurable, verifiable and directly related to the scope of work.
- Service contracts 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 by vendors; and provide written certification of the agency's receipt of goods and services.

We reviewed sixteen service contracts and two grant agreements. There are several areas where improvements can be made.

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

Service contracts and grant agreements must contain clear scopes of work, deliverables directly related to the scopes of work, and minimum required levels of services and criteria to successfully evaluate satisfactory performance. This structure is very important for payment processing; without it, the Department 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.

One grant agreement did not contain a clear scope of work. The purpose of this grant agreement was to "provide and administer scholarship activities for qualified students attending an accredited college or university in Florida, who express a desire to pursue a career in real estate and are officially pursuing a degree with a concentration in real estate studies." The scope of work was deficient in that it did not specify the eligibility requirements for applicants, the

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methodology and criteria to rank applications, the dollar amount successful applicants would receive, or the number of scholarships to be awarded. Because the Department did not clarify these requirements in the grant agreement, it is difficult to determine whether the best interest of the state has been served.

| Contract #  | Service Provider                                              | Contract Amount |
|-------------|---------------------------------------------------------------|-----------------|
| 09-00040-00 | Florida Association of Realtors<br>Education Foundation, Inc. | \$ 175,000.00   |

#### **Financial Consequences**

Effective July 1, 2010, Section 287.058(1)(h), Florida Statutes, requires service contracts to contain provisions for financial consequences an agency must apply if a provider fails to perform in accordance with a contract. The Department should re-examine its process to ensure its contracts are in compliance with this requirement. Five of the fifteen service contracts reviewed did not contain financial consequences.

| Contract #  | Service Provider            | Contract Amount |
|-------------|-----------------------------|-----------------|
| 10-00032-00 | Gray Robinson, PA           | \$ 57,500       |
| A2D51A      | Brandt Information Services | \$ 126,600      |
| A33CD2      | Screenvision Direct         | \$ 40,992       |
| A317C9      | North Highland              | \$ 49,590       |
| A28C34      | Robert Half International   | \$ 41,760       |

#### **Contract/Grant Management**

The contract manager 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.

Our review disclosed that the contract management activity for a service contract was not sufficient, as the contract manager did not document verification that services were satisfactorily delivered prior to approving invoices for payment. Deliverables were approved based on vendor-generated reports, without documented validation by the Department. The validation process should include reconciling vendor-generated data to data controlled and maintained by the Department or an independent third party.

| Contract #  | Service Provider                          | Contract Amount |
|-------------|-------------------------------------------|-----------------|
| 07-00010-03 | Florida Council on Compulsive<br>Gambling | \$ 690,000      |

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For another service contract, payment was made for \$49,590. which included an amount of \$8,909 for an invoice item described as "Write Offs/Write Ups". This description, "Write Offs/Write Ups", was approved for payment by the Department even though payment for these services was not defined or authorized by the contract.

| Contract # | Service Provider | Contract Amount |
|------------|------------------|-----------------|
| A317C9     | North Highland   | \$ 49,590       |

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

We provide 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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