



STATE OF FLORIDA

DIVISION OF EMERGENCY MANAGEMENT

RICK SCOTT
Governor

BRYAN W. KOON
Director

September 18, 2013

Ms. Christina Smith
Director, Division of Accounting and Auditing
Department of Financial Services
200 East Gaines Street
Tallahassee, Florida 32399-0353

Re: **DEM Response and Corrective Action Plan to DFS Audit**

Dear Ms. Smith:

This letter is in response to your letter dated August 22, 2013, with findings and recommendations from your recent audit of grant and contractual services agreements. Listed below please find the Division's response and corrective action plan in accordance with Section 11.45(4)(d), Florida Statutes.

Florida Division of Emergency Management Response and Corrective Action Plan

Scope of Work and Deliverables

Each service contract and grant agreement 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 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.

Finding: One service contract and three grant agreements did not contain a scope of work that clearly established the tasks to be performed.

Response: *We concur with this finding. The Division's Procurement Section will coordinate with Contract/Grant Managers in the bureaus to ensure future agreements contain scopes of work that clearly establish the tasks to be performed.*

Finding: The specific level of service required to be performed and/or criteria to determine successful completion of the deliverables were not specified in five service contracts and six grants.

Response: *We concur with this finding. The Division's Procurement Section will coordinate with Contract/Grant Managers in the bureaus to ensure future agreements contain minimum levels of service and sufficient criteria to measure performance and evaluate whether contract objectives are met.*

Financial Consequences

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

Finding: Fourteen service contracts did not contain financial consequences that meet the requirements of this section. The language in the agreements states that the Division "may" apply remedies in the event of non performance, when the statute indicates that the agency "must" apply consequences. During the review, the Division stated that they were aware of this issue and were in the process of updating their contract boilerplate.

Response: *We concur with this finding. The Division's template for service contracts was updated from "may apply" to "must apply" when referencing mandatory financial consequences.*

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 Division's receipt of goods and services and ensure all payment requests are certified.

Finding: Section 287.057(14), F.S. requires a written certification of the receipt of goods and services by the contract manager prior to payment. The certification statement for one contract was not provided for two of three payments approved by the Division.

Response: *We concur with this finding. To ensure Contract/Grant Managers are aware of their responsibilities, the Division is developing a process to ensure that Contract/Grant Managers attend the mandatory DFS Contract Management Training.*

Finding: The management activity for four grant agreements and four service contracts was not sufficient, as the Division did not always receive required documentation.

Response: *We concur with this finding. The Division's bureau management and Contract/Grant Managers will coordinate efforts to ensure that required documentation is received prior to processing payments. Additionally, to ensure Contract/Grant Managers are aware of their responsibilities, the Division is developing a process to ensure that Contract/Grant Managers attend the mandatory DFS Contract Management Training.*

Finding: The Division did not always adequately document activities to verify deliverables for three grant agreements and six service contracts.

Response: We concur with this finding. The Division's bureau management and Contract/Grant Managers will coordinate efforts to ensure that deliverables are verified prior to processing payments. Additionally, to ensure Contract/Grant Managers are aware of their responsibilities, the Division is developing a process to ensure that Contract/Grant Managers attend the mandatory DFS Contract Management Training.

Cost Analysis

Section 216.3475, F.S. requires state agencies to perform a cost analysis on agreements awarded on a noncompetitive basis. Additionally, the agencies are required to maintain records supporting the cost analysis, which include a detailed budget submitted by the entity awarded funding and the agency's documented review of individual cost elements from the submitted budget for allowability, reasonableness, and necessity.

Finding: The Division did not provide documentation verifying completion of the required cost analysis for eight agreements.

Response: We concur with this finding. The Division's Procurement Section will ensure that a cost analysis is performed for each noncompetitively procured agreement. This analysis will be maintained in the contract files.

Conclusion

We will use the findings and recommendations from your audit of grant and contractual services agreements to strengthen the Division's internal processes and procedures. Please feel free to contact our Deputy Inspector General, Ronnie Atkins, at 922-1611 if you have any questions regarding our response or corrective action plan.

Respectfully,



Bryan W. Koon
Director, Division of Emergency Management

BK/RA/mc

cc: Michael DeLorenzo, Deputy Director
Ronnie Atkins, Deputy Inspector General
Gary Crawford, Fiscal Administrator
Linda McWhorter, Chief, Bureau of Preparedness
Leo Lachat, Chief, Bureau of Response
Evan Rosenberg, Chief, Bureau of Recovery
Miles Anderson, Chief, Bureau of Mitigation