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JUL 07 2011

Director's Office
Division of Accounting
and Auditing
Chief Financial Officer

June 24, 2011

Christina Smith, Division Director
Division of Accounting and Auditing
Department of Financial Services
200 E. Gaines St.
Tallahassee, FL 32399-0353

Dear Director Smith:

In response to your June 2, 2011 letter regarding the Department's service contracts/grant agreements, the following describe requirements and internal processes that were previously implemented which address the overall corrective actions:

- 1) All service agreements meeting or exceeding the Category Two threshold amount (\$35,000) are reviewed by the Division of Legal Services to ensure all required terms, conditions, scope of work and deliverables are appropriately documented.
- 2) Both Purchasing Services and the Division of Legal Services review all service agreements to assist with identifying scenarios and ensuring that appropriate documentation is obtained when business areas should be requiring the vendor to:
 - a. quote services based on tasks and deliverables rather than hourly rates
 - b. quote services based on the maximum allowable rates based on State Term Contract rates
- 3) In accordance with Section 287.057(14), F.S., agency Contract Managers responsible for contracts exceeding the Category Two threshold amount (\$35,000) are required to attend training as conducted by the Division of Accounting and Auditing for accountability in contracts and grant management. Each Contract Manager is to obtain their certification every two years.
- 4) The Department has dedicated a Contract Administration Manager resource (currently a vacant position) to provide training, mentoring and periodic quality assurance reviews of contract manager files to assess appropriate documentation.

In addition, we have provided below a response to each listed deficiency:

- 1) **Deliverables:**
 - a. **Grants not containing deliverables** – The two (2) referenced grants did include an amendment intended to correct this issue. However the verbiage in the amendments still allowed for question regarding their reference to "*performance standards included in the deliverables*" when they should have referenced "*performance standards included in the statement of work.*"
CORRECTIVE ACTION: An amendment to the grants is in process to specify the performance standards included in the statement of work. This updated template will be utilized for future grant agreements.
 - b. **Service contract not containing verifiable units of service** – The referenced contract is related to staff augmentation IT project consulting which was executed prior to the effective date of Ch. 2010-151 when "per task" invoicing became a requirement. This agreement was correctly executed based on a specific number of licenses and specific

tasks with estimated (not to exceed) hours based on the State Term Contract hourly rates. However, invoices from the vendor did not clearly identify the tasks associated with the number of hours for each consultant. The Contract Manager who approved the invoices reviewed by Accounting and Auditing is no longer with the agency.

CORRECTIVE ACTION: The new Contract Manager has been advised that the invoicing must clearly identify the tasks associated with the number of hours for each consultant. Sample documentation was provided for assistance with options in improving their process for this requirement.

2) **Financial Consequences:**

The three (3) referenced contracts were reviewed again with the DFS Divisions of Legal Services and Accounting and Auditing. It was determined that these agreements do contain financial consequences and mechanisms for which payment could be withheld for non-performance or lack of deliverables.

CORRECTIVE ACTION: None required.

3) **Contract/Grant Management:**

- a. **Lack of documented Department controlled data for invoice verification** – The referenced contract is related to staff augmentation IT project consulting that was previously managed by a Contract Manager (no longer with the agency) within the Division of Information Systems (DIS).

CORRECTIVE ACTION: DIS has been reminded of this requirement and to ensure that all Contract Manager's are following the appropriate approval and validation process with all payments tying to specific tasks or by reconciling vendor-generated data to data controlled and maintained by the Department. Sample documentation was provided for assistance with options in improving their process for this requirement.

- b. **Missing Contract Manager written certification statement** – The referenced contract is for the Division of Treasury. At the time of this review, the funding source and procurement process related to the fund source had recently changed and the Contract Manager was not yet fully aware of the new requirements related to the certification statement.

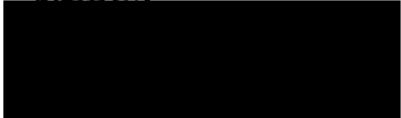
CORRECTIVE ACTION: The Contract Manager was reminded of this requirement and now clearly understands the process. In addition, the Bureau of Financial and Support Services is reviewing applicable invoices more closely to ensure the certification verbiage and signatures are included.

4) **Compliance with State Term Contract Requirements** – The referenced contract is related to staff augmentation IT project consulting. The overpayment was an oversight within the quote provided by the vendor, which exceeded the maximum allowed rates within the State Term Contract.

CORRECTIVE ACTION: The contract has been revised to reflect the accurate maximum allowable rates and the Contract Manager has been reminded to ensure that all hourly rates paid to vendors do not exceed the maximum allowed by the State Term Contract.

We appreciate your time and the thorough review of our contracts as we continue to strive to improve our contractual accountability standards. If you have more questions, please feel free to contact Donna.Vollertsen@myfloridacfo.com (850.413.2006) for additional detail.

Sincerely,


Robert Kneip
Chief of Staff