



CHIEF FINANCIAL OFFICER
JEFF ATWATER
STATE OF FLORIDA

September 5, 2012

The Honorable Pam Bondi
Attorney General
The Capitol, PL-01
Tallahassee, Florida 32399-1050

Dear Attorney General Bondi:

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 also 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, 13 reviews have been completed and the results are available on the Bureau website http://www.myfloridacfo.com/aadir/auditing_activity.htm.

We have concluded our review of selected Department of Legal Affairs (Department) contract/grant agreements in effect on or after July 1, 2011, and related management activities. We reviewed one service contract and twenty grant agreements. There are several areas where improvements can be made.

FLORIDA DEPARTMENT OF FINANCIAL SERVICES

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Scope of Work and Deliverables

Each service and grant agreement must contain a clear scope of work, deliverables directly related to the scope 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.

Our review disclosed that the scope of work for one grant agreement was vague. The recipient was required to enter into subcontracts and report that the funds were being used for the purpose intended. However, the agreement did not state the intended purpose of the funds.

Contract #	Service Provider	Contract Amount
K02552	Florida Council Against Sexual Violence	\$ 250,000

Provision of CFO Memorandum # 4(2005-2006)

Chief Financial Officer Memorandum #4 (2005-2006) lists the minimum requirements all agreements funded by state or federal financial assistance must include to maintain accountability over state and federal funding.

- Specifically, the agreement did not contain the required language such as, expenditures to be in compliance with the Reference Guide for State Expenditures, the agreement to only be charged with allowable cost resulting from obligations incurred during the term of the agreement, and any balance of unobligated cash must be returned to the state unless authorized to be retained for direct program costs.

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Contract Agreement - Other

Cost Analysis

Section 216.3475, Florida Statutes, requires agencies to do a cost analysis on agreements awarded on a noncompetitive basis. Each agency shall maintain records to support a cost analysis, which includes a detailed budget submitted by the person or entity awarded funding and the agency's documented review of individual cost elements from the submitted budget for allowability, reasonableness, and necessity. Specifically we noted:

- The Department did not provide documentation that the required cost analysis had been completed for one grant agreement.

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- For five additional grant agreements, the Department did not meet the requirements of CFO Memorandum #3 (2009-2010), which requires the Department to obtain the Department of Financial Services' approval prior to making changes to the Cost Analysis Form.

Contract #	Service Provider	Contract Amount
001-11	Central Florida Crimeline Program	\$795,943
024-11	First Coast Crime Stoppers, Inc	\$322,990
017-11	Crime Stoppers of Miami Dade County	\$526,546
013-11	Hillsborough County of BCC	\$315,787
K02471	Urban League of Broward County	\$2,870,247

Florida Single Audit Act

Chapter 69I-5.006(6), Florida Administrative Code, requires state agencies to complete the Checklist for Non-State Organizations – Recipient/Subrecipient vs Vendor Determination. This documentation is necessary to determine whether the provider is a vendor or whether it is a recipient of state financial assistance and subject to audit and additional accountability requirements. Specifically we noted:

- The Department did not provide the required Vendor/Recipient Determination Checklist as requested.

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- For five additional grant agreements the Department used its own form rather than the required Recipient/Subrecipient vs Vendor Determination checklist. The Department's form did not have the necessary provisions to make an accurate determination of whether service providers were vendors or recipients in accordance with the Florida Single Audit Act.

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013-11	Hillsborough County of BCC	\$315,787
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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 Department's receipt of goods and services and ensure all payment requests are certified.

- The grant management activity for five grant agreements was not sufficient as the Department did not always verify that the deliverables required by the agreement were received and approved prior to payment or the number of units billed for was actually the number delivered. Payments were approved based on provider-generated data such as quarterly activity report as evidence of services provided for five grant agreements. These reports should be validated with source documentation such as phone logs, agendas for workshops, sign in sheets, etc.

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- For thirteen cost reimbursement agreements, the Department did not provide documentation to support that salary costs were properly allocated. The budget narratives for these projects included positions that were funded in part by the Department and in part by other funding sources and positions that were entirely funded by the Department. However, the Department did not provide documentation such as project time sheets to evidence that the salary costs were properly allocated based on the percentage of hours worked on the Department's agreements.

Contract #	Service Provider	Contract Amount
V11129	Collier County Sheriff's Office	\$131,690
V11167	Domestic Abuse Shelter, Inc	\$387,082
V11125	Hubbard House, Inc	\$311,252
V11102	Mothers Against Drunk Driving	\$222,119
V11241	Salvare, Inc	\$155,382
V11037	Suncoast Center, Inc	\$327,761
V11243	City of Jacksonville	\$131,455
V11231	Monroe County Sheriff's Office	\$258,552
V11018	Religious Community Services, Inc	\$157,267
V11013	SAWCC, Inc	\$201,872
V11199	The Children's Advocacy Center of Volusia and Flagler Counties, inc.	\$331,693
V11074	University of Florida	\$425,594
V11069	Voices of the Children of the Suwannee River Valley	\$155,266

- No documentation was provided for one services contract to evidence that the number of hours billed by the vendor had been verified by the Department prior to approving invoices for payment. In addition, the Department did not provide documented verification that services were delivered satisfactorily prior to approving invoices for payment. The validation process should include reconciling vendor-generated data, such as project timesheets and activity reports, to data controlled and maintained by the Agency or an independent third party. The contract files should contain documentation of the steps taken to verify service delivery.

Contract #	Service Provider	Contract Amount
A44CD3	Seva Technologies, LLC	\$366,744

- For one grant agreement the provider was to disburse 95% of funding to specific subrecipients. The Department did not provide evidence to validate that the funds were disbursed accordingly.

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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 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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