



CHIEF FINANCIAL OFFICER  
**JEFF ATWATER**  
STATE OF FLORIDA

May 21, 2014

Mr. Craig Nichols, Secretary  
Department of Management Services  
4050 Esplanade Way  
Tallahassee, Florida, 32399-0950

Dear Mr. Sachs:

The Bureau of Auditing (Bureau) performs audits in accordance with Section 17.03, Florida Statutes (F.S.) 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, F. S., 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), F. S. 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, 22 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 Department of Management Services (Department) contracts effective on or after July 1, 2012, and related management activities. Our review focused on compliance with the following statutory requirements:

FLORIDA DEPARTMENT OF FINANCIAL SERVICES

Christina Smith • Director

Division of Accounting and Auditing

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- 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 Department's receipt of goods and services.

We reviewed 21 service agreements and eight (8) grants. There are several areas where improvements can be made.

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

Each service contract and grant agreement must contain a clear scope of work, deliverables directly related to the scope of work, minimum required levels of service, 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 Department had deliverable issues for two (2) agreements. Specifically, we noted the following:

- Compensation for two agreements was not related to the completion of deliverables or achieving specific milestones.
  - The agreement between the Department and CDI-Infrastructure was for the design development of a statewide internet-based call routing system for 911 calls. Satisfactory completion of deliverables specified by the agreement was not related to payment. Instead, payment was based on the passage of time.
  - Inspired Technologies provided a project manager to develop and track a schedule of deliverables established to migrate communication service plans and devices to the new OaSIS system. The agreement does not correlate payment to the satisfactory receipt of deliverables. Payment was strictly based on hours worked.

Contract #	Service Provider	Contract Amount	WP Reference
DMS 10/11-013	CDI-Infrastructure	\$437,292	3-1, Item 6
A74148	Inspired Technologies	\$42,000	3-1, Item 12

### **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.

- Eight (8) agreements did not contain financial consequences for nonperformance/noncompliance.

Contract #	Service Provider	Contract Amount	WP Reference
A67597	Hewitt Associates, LLC	\$225,000	3-1, Item 3
DMS 10/11-013	CDI-Infrastructure	\$437,292	3-1, Item 6
DMS 10/11-033	DSM.Net	\$332,930	3-1, Item 7
A74148	Inspired Technologies	\$42,000	3-1, Item 12
A61673	Law, Redd, Crona & Monroe, PA	\$146,000	3-1, Item 15
A691C0	Paul Consulting	\$76,100	3-1, Item 17
MP003	GovDeals, Inc	\$85,000	3-1, Item 10
MP001	Tampa Machinery Auction, Inc	\$520,000	3-1, Item 20

### **Florida Single Audit Act**

Chapter 69I-5.006(3), Florida Administrative Code requires the standard audit language contained on Form DFS-A2-CL to be included in the document that establishes the state's, recipient's or sub recipient's relationship with the non-state entity. The Department did not include this language in the eight (8) E911 Grants.

Contract #	Service Provider	Contract Amount	WP Reference
S5-12-12-07	Glades County	\$80,664	3-1, Item 22
S5-12-12-10	Gadsden County	\$129,425	3-1, Item 23
S5-12-12-09	Columbia County	\$41,732	3-1, Item 24
13-04-28	Gadsden County	\$1,100	3-1, Item 25
13-04-01	Baker County Sheriff's Office	\$34,055	3-1, Item 26
13-04-24	Wakulla County	\$25,751	3-1, Item 27
12-10-28	Liberty County	\$1,250	3-1, Item 28
11-04-24	Washington County	\$1,500	3-1, Item 29

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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; and provide written certification of the Division's receipt of goods and services and ensure all payment requests are certified.

Our review disclosed that the Department had Contract/Grant management issues with four agreements. Specifically, the following was noted:

- The Department entered into a new agreement with Accenture for services related to the My Florida Market Place application. The agreement provided for a transition period to implement newly established services. The Department was unable to provide documentation that services were independently verified after the expiration of the transition period before approving the monthly payment of \$927,133.
- The Department did not adhere to the agreement's payment terms for Hewitt Associates, LLC. Payment was to be made at the completion of milestones and was determined by applying an hourly rate to hours actually worked that was further limited by a not-to-exceed amount. According to the second invoice the cost of hours worked for the third milestone was \$44,068; however the Department paid the contractor the not-to-exceed price of \$67,500. The Department overpaid the contractor by \$23,432.

In addition, the invoices submitted by the contractor and approved for payment by the Department included hours worked, but did not include the tasks completed in achievement of the milestones.

- The Department entered into an agreement with Milliman, Inc. to perform special studies upon request. A Memorandum of Agreement between the Department and Milliman was to be executed prior to performance of the study. The Department was unable to provide executed Memorandums of Agreement as required by the agreement. Instead, the Department provided a copy of Milliman, Inc.'s cost proposal along with the State Legislative Office's approval to enter into the agreement at the proposed price.

In addition, the Department was unable to provide documentation to support reconciliations were performed prior to payment. The Department logged the tasks assigned to the contractor, but was unable to provide documentation that the invoice was reconciled to the log. At the time of the review, a total amount of \$118,318 had been paid to the contractor.

- The Department paid for services not specified in the alternate source contract with Tampa Machinery Auction, Inc. The contractor provided to the Department additional services such as Title Fees, Decal Removal, and Battery Fees totaling \$972.

Contract #	Service Provider	Contract Amount	WP Reference
DSM 11/12-030	Accenture	\$37,644,200	4-1, Item 1
A67597	Hewitt Associates, LLC	\$225,000	4-1, Item 3
DMS 10/11-015	Milliman, Inc	\$3,750,000	4-1, Item 16
MP001	Tampa Machinery Auction, Inc	\$520,000	4-1, Item 20

- The Department did not provide the statutory authority allowing advance payment in full for the eight (8) E911 Grants. Absent specific statutory authority, section 216.181(16)(b), F.S. allows for the advancement of the first 3-months of expected cash needs. Advance of funds beyond the 3-month requirement is contingent upon the approval of the CFO upon consultation with the legislative appropriation committee.

Contract #	Service Provider	Contract Amount	WP Reference
S5-12-12-07	Glades County	\$80,664	4-1, Item 22
S5-12-12-10	Gadsden County	\$129,425	4-1, Item 23
S5-12-12-09	Columbia County	\$41,732	4-1, Item 24
13-04-28	Gadsden County	\$1,100	4-1, Item 25
13-04-01	Baker County Sheriff's Office	\$34,055	4-1, Item 26
13-04-24	Wakulla County	\$25,751	4-1, Item 27
12-10-28	Liberty County	\$1,250	4-1, Item 28
11-04-24	Washington County	\$1,500	4-1, Item 29

#### **Contract/Grant Agreement - Other**

- Section 287.058(1) & (2), F.S., requires all contractual service agreements to be in a written agreement or purchase order prior to the rendering of any contractual service over the Category Two threshold. The Department allowed the contractor to begin services prior to the transmittal of the purchase order for one agreement. This purchase order was procured using State Term Contract 973-561-10-1, which states the contractor shall not deliver or furnish services until the transmittal of a purchase order. A total amount of \$3,935 was paid to the contractor prior to the transmittal of the purchase order.

Contract #	Service Provider	Contract Amount	WP Reference
A60CA8	Tybrin Corp	\$690,809	4-1, Item 21

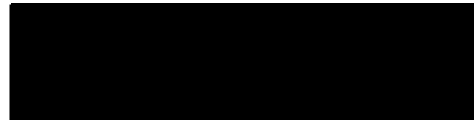
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Please provide the Department's corrective action plan which addresses how these deficiencies will be corrected for future contracts. This plan should include steps the Department will take to provide a system of quality control, including training,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

A black rectangular redaction box covering the signature of Christina Smith.

Christina Smith

CS/fe

cc: Walter Sachs, Inspector General