



CHIEF FINANCIAL OFFICER
JEFF ATWATER
STATE OF FLORIDA

November 16, 2011

Ms. Lisa R. Vickers, Executive Director
Florida Department of Revenue
5050 West Tennessee Street, Suite 1-1600
Tallahassee, Florida 32399

Dear Ms. Vickers:

We have concluded our review of selected Department of Revenue (Department) 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/grant managers must enforce performance of the contract/grant terms and conditions; review and document all deliverables for which payment is requested by vendors/recipients; and provide written certification of the agency's receipt of goods and services.

We reviewed twenty service contracts and one grant agreement. There are several areas where improvements can be made.

Contract Documents

Service contracts and grant agreements must contain clear scopes of work, deliverables directly related to the scopes of work, 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.

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.

FLORIDA DEPARTMENT OF FINANCIAL SERVICES

Christina Smith • Director

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Three of the five contracts sampled, executed after the effective date of the statute, did not contain financial consequences. The Department should re-examine its process to ensure its contracts are in compliance with this requirement.

Contract #	Service Provider	Contract Amount
I0220	Gartner, Inc.	\$ 98,220
C3ISO	IsoCorp	\$ 603,200
G0167	Technisource, Inc.	\$ 230,000

Contract Grant Management

Contract and 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 agency's receipt of goods and services.

Validation of Vendor Timesheets:

For four service contracts no documentation was provided to evidence that the number of hours billed by vendors had been verified by the Department prior to approving invoices for payment. The verification process should include reconciling vendor-generated data such as timesheets and activity reports to data controlled and maintained by the Department or an independent third party.

Contract #	Service Provider	Contract Amount
P0108	Advanced Systems Design, Inc	\$ 77,700
C2371	CanDoTech Consulting, Inc	\$ 804,008
C3ISO	IsoCorp	\$ 603,200
C-2351	Maximus, Inc	\$ 11,959,224

Documentation of Services:

Our review disclosed that contract management activity for five service contracts was not sufficient, as the Department did not provide documentation validating that services were satisfactorily delivered prior to approving invoices for payment.

- Vendor invoices did not reflect details of services performed.
- The Department provided documentation of tasks assigned and performed by vendors within invoice periods that accounted for less than half of hours billed.

The validation process should include reconciling vendor-generated data such as timesheets and activity reports to data controlled and maintained by the Department or an independent third party and the Department should maintain documentation of the steps taken to verify service delivery.

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Contract #	Service Provider	Contract Amount
P0108	Advanced Systems Design, Inc	\$ 77,700
C2371	CanDoTech Consulting, Inc	\$ 804,008
C3ISO	IsoCorp	\$ 603,200
I0153	Kyra Infotech, Inc	\$ 617,120
C-2351	Maximus, Inc	\$ 11,959,224

Additional Compensation Without Additional Services:

The hourly rate for one staff augmentation contract was increased from \$85 per hour to \$95 per hour without any additional services, contrary to s. 215.425 F.S.

Contract #	Service Provider	Contract Amount
G0141	Workflow Technologies, Inc	\$ 335,640

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.

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

CS/fe

cc: Ms. Sharon Doredant,
Inspector General