



Executive
Director
Lisa Vickers

Child Support
Enforcement
Ann Coffin
Director

General Tax
Administration
Jim Evers
Director

Property Tax
Oversight
James McAdams
Director

Information
Services
Tony Powell
Director

December 22, 2011

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

Dear Ms. Smith:

Enclosed is the Department's Corrective Action Plan for the findings and recommendations as a result of your review of selected Department of Revenue service contracts and grant agreements in effect on or after July 1, 2010, and related management activities.

We appreciate the professionalism displayed by your staff during the conduct of the review. If further information is needed, please contact Teresa Wood, Director of Auditing, at 717-7598.

Sincerely,


Lisa Vickers

LV/tw

Enclosure

cc: Mark Merry, Chief, Bureau of Auditing, DFS
Sharon Doredant, Inspector General, DOR
Teresa Wood, Director of Auditing, DOR

Corrective Action Plan

Rev. 11/04

Status Date	Report No.	Report Title		
12/12/2011	DFS	Contract Review		
Contact Person	Program/Process		Phone No.	
Bo Scarce	EXE/CSE/ISP		717-7305	
Activity	Accountability		Schedule	
Purchasing and Contract Management	Responsible Unit	Coordinating Unit	Repeat Finding	Anticipated Completion Date
	Financial Management/CSE	Financial Management	No	06/30/2012
Finding				
No.	1			
Date	11/16/2011			
<p>Three of the five contracts sampled, executed after the effective date of the statute, did not contain financial consequences.</p>				
Recommendation				
<p>The Department should re-examine its process to ensure its contracts are in compliance with this requirement.</p>				
Original Response				
<p>The Department will be revising the Purchasing and Contract Management Manual to include guidelines for complying with Florida Statutes regarding the inclusion of financial consequences clauses. The Department will also revise its standard template contract document to include some generic default provisions, as well as a reference to possible additional financial consequences in Attachment A (Scope of Services/Work) of the contract to address deliverable specific financial consequences, if applicable.</p> <p>CSE Program will also review its standard contract document and amend it as necessary to specify the financial consequences that apply if the contractor fails to perform in accordance with the contract. The financial consequences may vary depending on the nature of the contract and the extent of any failure to perform.</p> <p>ISP: Contract #I0220 Although Contract I0220, with Gartner, Inc., was signed prior to the enactment of the statute referenced in this finding and can't be modified after the fact, ISP will ensure that all future contracts, including those with Gartner, include standard language specifying financial consequences for failure to perform in accordance with the contract.</p> <p>CSE: Contract #C3ISO and GTA: Contract #G0167 Contract C3ISO with ISOCorp and Contract G0167 with Technisource, Inc. were procured through the DMS State Term Contract #973-561-10-1 for staff augmentation and the financial consequences in the State Term Contract are incorporated by reference and included in the order of precedence, Attachment B of the contract. All provisions of the State Term Contract remain in effect unless another document incorporated by reference has precedence. In this case, there is no conflict. Section 5.4 of the State Term Contract provides for Liquidated Damages; specifically the cost of actual damages incurred by the State Agency or \$250 per calendar day given specific circumstances.</p>				
Status Updates				
<input checked="" type="checkbox"/> Open <input type="checkbox"/> Management assumes risk <input type="checkbox"/> Partially complete <input type="checkbox"/> Complete pending verification by OIG <input type="checkbox"/> Complete				

Corrective Action Plan

Rev. 11/04

Status Date		Report No.	Report Title	
		DFS	Contract Review	
Contact Person		Program/Process		Phone No.
Bo Scarce		PTO/CSE		717-7305
Activity		Accountability		Schedule
Contract Management		Responsible Unit	Coordinating Unit	Repeat Finding
		PTO/CSE	Financial Management	No
Anticipated Completion Date		06/30/2012		
Finding		<p>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.</p>		
No.	2			
Date	11/16/2011			
Recommendation		<p>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.</p>		
Original Response		<p>PTO: Contract #P0108 The PTO contract manager for contract # P0108 with Advanced Systems Design, Inc., approved invoices for payment after receiving an invoice from the contractor with attached timesheets for each month. The timesheets were approved and signed by the project/operational manager, which indicated to the contract manager that the hours worked were within the work plan time frames.</p> <p>CSE: Contracts #C2371, #C3ISO, #C2351 The CSE Program will strengthen its procedures for verifying and documenting that the hours billed were worked for vendors compensated based on an hourly rate, such as the CSE Contracts # C2371 with CanDOTech Consulting, Inc, # C3ISO with ISOCorp, and # C2351 with Maximus, Inc. The procedures will include:</p> <ol style="list-style-type: none"> (1) Timesheets that correlate hours worked to specific contract deliverables and work assignments. (2) Vendor consultants will be provided work assignments weekly by the agency project manager with beginning and end dates and there will be weekly review of already assigned work. (3) The agency project manager will approve timesheets only after comparing the work performed to the hours billed. (4) The agency will document and maintain records related to the work performed and will use the information to validate hours billed before invoices are approved for payment. 		
Status Updates				
<input checked="" type="checkbox"/> Open				
<input type="checkbox"/> Management assumes risk				
<input type="checkbox"/> Partially complete				
<input type="checkbox"/> Complete pending verification by OIG				
<input type="checkbox"/> Complete				

Corrective Action Plan

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Status Date		Report No.	Report Title	
		DFS	Contract Review	
Contact Person		Program/Process		Phone No.
Bo Searce		PTO/CSE/ISP		717-7305
Activity		Accountability		Schedule
Contract Management		Responsible Unit	Coordinating Unit	Repeat Finding
		PTO/CSE/ISP	Financial Management	No
				Anticipated Completion Date
				06/30/2012
Finding		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.		
No.	3	<ul style="list-style-type: none"> • 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. 		
Date	11/16/2011			
Recommendation		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.		
Original Response		<p><u>PTO: Contract #P0108</u> Approved timesheets were submitted to the PTO contract manager for contract # P0108 with Advanced Systems Design, Inc., as documentation that services were performed and accepted. As a current program policy we have taken steps to capture the details for services received in the documentation for the validation process.</p> <p><u>CSE: Contracts #C2371, #C3ISO, #C2351</u> The CSE Program will strengthen its procedures for verifying and documenting that the hours billed were worked for vendors compensated based on an hourly rate, such as the CSE Contracts # C2371 with CanDOTech Consulting, Inc, # C3ISO with ISOCorp, and # C2371 with Maximus, Inc. The procedures will include: (1) Timesheets that correlate hours worked to specific contract deliverables and work assignments. (2) Vendor consultants will be provided work assignments weekly by the agency project manager with beginning and end dates and there will be weekly review of already assigned work. (3) The agency project manager will approve timesheets only after comparing the work performed to the hours billed. (4) The agency will document and maintain records related to the work performed and will use the information to validate hours billed before invoices are approved for payment.</p> <p><u>ISP: Contract #I0153</u> In response to the finding for contract #I0153, the vendor, Kyra Infotech, Inc., has revised its timesheet to include the deliverables. ISP has also changed its procedures to require the consultants to enter their work hours in a time tracking tool (PPM), which provides all hours logged, by day, to specific projects and tasks. These PPM timesheets are reviewed and approved by the DOR supervisor at the end of each month and provided to the contract manager before the invoice is submitted. Consultants are given assignments in the form of program specifications. Their work on the assignments is tracked through regular interaction with the supervisor. This is normally several times a week at a minimum, often daily. The supervisor then reviews the test results when the task is completed and the code is moved into production. The hours worked are documented in PPM. The test results are documented and maintained in the Revtrac production change migration tool.</p>		
Status Updates				
<input checked="" type="checkbox"/> Open <input type="checkbox"/> Management assumes risk <input type="checkbox"/> Partially complete <input type="checkbox"/> Complete pending verification by OIG <input type="checkbox"/> Complete				

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Status Date		Report No.	Report Title	
		DFS	Contract Review	
Contact Person		Program/Process		Phone No.
Bo Searce		GTA		717-7305
Activity		Accountability		Schedule
Purchasing and Contract Management		Responsible Unit	Coordinating Unit	Repeat Finding
		GTA	Financial Management	No
				Anticipated Completion Date
				N/A
Finding		<p>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.</p>		
No.	4			
Date	11/16/2011			
Recommendation		<p>No specific recommendation made.</p>		
Original Response		<p>The Department will work to ensure that all contract documentation, including memorandums justifying Department actions, are included with the contract when provided for review.</p> <p>Contract # G0141 with Workflow Technologies, Inc. was procured through the DMS State Term Contract. At the inception of the contract a rate of \$85 per hour was negotiated, although the State Term Contract provided for a fee up to \$115 per hour. The GTA program determined prior to the renewal of the contract that an increase in the hourly rate to \$95 per hour was justified based on increased demand for contract programming resources and in the best interest of the Department. While the justification memorandum was not included with the contract information provided electronically to the Department of Financial Services during their review, the justification memorandum is maintained in the hardcopy contract file in the Office of Financial Management.</p>		
Status Updates				
<input type="checkbox"/> Open <input type="checkbox"/> Management assumes risk <input type="checkbox"/> Partially complete <input type="checkbox"/> Complete pending verification by OIG <input checked="" type="checkbox"/> Complete				