



CHIEF FINANCIAL OFFICER
JEFF ATWATER
STATE OF FLORIDA

October 23, 2012

Mr. Gerald Bailey, Secretary
Florida Department of Law Enforcement
2331 Phillips Road
Tallahassee, Florida 32308

Dear Secretary Bailey:

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

FLORIDA DEPARTMENT OF FINANCIAL SERVICES

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Mr. Gerald Bailey, Secretary
October 23, 2012
Page Two

We have concluded our review of selected Florida Department of Law Enforcement (Department) contract/grant agreements in effect on or after July 1, 2011, and related management activities.

Our review focused on compliance with the following statutory requirements:

- 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 thirteen service contracts and four grant agreements. 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 scopes 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 Department had scope of work and/or deliverable issues for two grant agreements and two service contracts. Specifically, we noted the following:

- The specific level of services required to be performed and/or criteria to determine successful completion of the deliverables were not provided for two contracts and two grant agreements.
 - Payment terms for UBER Operations LLC and Strategic Staffing Solutions did not require a minimum level of service to be completed prior to the Department approving invoices for payment. The service contracts procured Project Managers for the Florida Law Enforcement Exchange and the Regional Law Enforcement Exchange projects based on an hourly rate. Both project managers were responsible for: creating, maintaining and refining project plans; tracking project schedules and technical performance; and leading both the business and

technical teams to ensure project objectives are met and delivered on time and on budget. However, the contracts did not require FDLE to validate that minimum levels of service had been completed as progress toward achieving the goals prior to approving invoices for payment.

- Grant agreements for A Child Is Missing, Inc and Broward County Board of Commissioners did not provide criteria to determine successful completion for deliverables. One grant agreement established separate units of service for technical assistance, tracking and community volunteer services without established criteria for evaluating the successful completion of the units of service. Another grant agreement listed training classes and community seminars as deliverables, but did not provide minimum levels of service or criteria for evaluating the successful completion.

Contract #	Service Provider	Contract Amount
DO2518341	UBER Operations LLC	\$205,800
DO2579164	Strategic Staffing Solutions	\$133,500
FDLE-015-12	A Child Is Missing, Inc	\$232,461
2011-JAGC-BROW-3-B2-256	Broward County Board of Commissioners	\$77,648

Financial Consequences

Effective July 1, 2010, Section 287.058(1)(h), F.S., requires service contracts to contain provisions for financial consequences a department must apply if a provider fails to perform in accordance with a contract.

- Two service contracts did not contain financial consequences that meet the requirements of this section.

Contract #	Service Provider	Contract Amount
DO2518341	UBER Operations LLC	\$205,800
DO2579164	Strategic Staffing Solutions	\$133,500

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 was not sufficient for one agreement as the grant manager did not document verification that all expenditures were directly related to this grant agreement. The agreement funded the entire salary for one full time position that was responsible for providing technical support and training related to a specific project. However, the Department did not document that all of the activities performed by the position were related to the agreement.

Contract #	Service Provider	Contract Amount
2011-SHSP-LEON-3-V3-097	Leon County Sheriff's Office	\$100,000

Other - Chief Financial Officer Memorandum No. 4 (2005-06)

One grant agreement did not contain specific provisions as required in Chief Financial Officer Memorandum No. 04 (2005-06). Specifically, the agreement did not have the required accountability provisions requiring the agreement to be charged only with allowable costs and that any balances of unobligated cash that have been advanced or paid that is not authorized to be retained for direct program cost in a subsequent period must be refunded to the State

Contract #	Service Provider	Contract Amount
FDLE-015-12	A Child Is Missing, Inc	\$232,461

Other Deficiencies - Grant Agreements

- Our review disclosed the Department did not provide documentation verifying completion of the required cost analysis for one grant agreement. Section 216.3475, F.S., requires state agencies to perform a cost analysis on agreements awarded on a noncompetitive basis. Additionally, the agencies are required to maintain records supporting the cost analysis, which include a detailed budget submitted by the entity awarded funding and the agency's documented review of individual cost elements from the submitted budget for allowability, reasonableness, and necessity.

Contract #	Service Provider	Contract Amount
FDLE-015-12	A Child Is Missing, Inc	\$232,461

- The Department did not provide the Recipient/Subrecipient vs. Vendor Determination Checklist as required in Rule 69I-5.006(2), Florida Administrative Code. 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.

Mr. Gerald Bailey, Secretary
October 23, 2012
Page Five

Contract	Service Provider	Contract Amount
FDLE-015-12	A Child Is Missing, Inc	\$232,461

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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