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September 27, 2016

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

RE: Agency Contract Management Review Letter Dated August 15, 2016

Dear Ms. Smith:

Please accept this letter in response to the audit review and findings by the Department of Financial Services (DFS) mentioned in your letter dated August 15, 2016. As requested, the Florida Fish and Wildlife Conservation Commission's (FWC) response reflects the corrective action plan that will be undertaken to address the findings cited in your report. FWC is dedicated to enhancing our systems of control for contract/grant management and realizes the importance of training and management review in the process.

The statutory requirements considered in DFS' review are restated below in support of our response.

- Contracts must contain a clear scope of work.
- Contracts must contain deliverables that are quantifiable, measurable, verifiable and directly related to the scope of work.
- Contracts must contain financial consequences that an agency must apply if the provider fails to perform in accordance with the agreement.
- Contracts contain all other provisions of section 287.058, chapter 255 or section 215.971, F.S.
- Agencies must comply with the provisions of section 216.3475, F.S., and related CFO Memoranda.
- Contract managers must complete training as required by statute.
- Contract managers must enforce performance of the contract terms and conditions; review and document all deliverables for which payment is requested by service providers; and provide written certification of the Agency's receipt of goods and services.

FWC is actively engaged in ensuring that all staff providing contract/grant management activities are appropriately trained and have updated resources for supporting functions necessary to perform these tasks. The following outlines our corrective action for the identified deficiencies in future contracts.

## **Contract/Grant Management**

### 1. Verification Activities Not Documented

CFO Memorandum #6 (2011-2012) states that the contract management file must contain documentation of the contract manager's activities to verify that the deliverables were received and were in compliance with criteria established in the contract. FWC was unable to provide adequate documentation to support the verification of deliverables received.

**Corrective Action:** FWC is steadily increasing staff participation, tracking and communication of the requirement for contract/grant management training, as outlined in section 287.057(14), F.S., which includes the requirement for adequate documentation to support the verification of deliverables. In addition, FWC is in the process of updating our Internal Management Policies and Procedures (IMPP) for procurement and contract management as well as developing internal training for FWC-Contract/ Grant Managers to further reinforce the roles and responsibilities for managing contracts and grants as outlined in statute and the DMS/DFS training.;

### 2. Inadequate Verification

CFO Memorandum #1 (2012-2013) requires the contract manager to certify that goods and services have been satisfactorily received prior to making a payment. FWC approved payment for deliverables that were not in compliance with the agreement.

**Corrective Action:** FWC is steadily increasing staff participation, tracking and communication of the requirement for contract/grant management training, as outlined in section 287.057(14), F.S., which includes the requirement to verify that deliverables are in compliance with the contract prior to payment. While this issue is not limited to a specific type of contract, because this finding was related to a construction contract FWC has begun preparation to strategically address management of construction projects, as follows:

- a. An FWC-Construction Team will be assembled to assess and provide recommendations to increase efficiency in the management and oversight of construction projects undertaken by FWC. The team's mission will include, but is not limited to, identifying potential deficiencies in the approach to managing construction projects, training, policy and procedure, and to facilitate recommended actions for improvement.
- b. FWC is currently updating and revising our IMPP for Construction and our solicitation templates to ensure specific guidelines are contained therein.
- c. FWC is developing internal Contract/Grant Management training which will include, but is not limited to, construction management roles and responsibilities, as described in Item 1 – *Verification Activities not Documented*.

### 3. Monitoring

CFO Memorandum No. 01 (2010-2011) states that monitoring activities provided by the contract manager must be adequate to provide reasonable assurance that contract deliverables have been provided as required by the contract.

Documentation reviewed from the contract management file indicated FWC's oversight of the McCree project was not sufficient.

**Corrective Action:** FWC is steadily increasing staff participation, tracking and communication of the requirement for contract/grant management training, as outlined in section 287.057(14), F.S. As outlined in Item 1 - *Verification Activities not Documented* and Item 2 - *Inadequate Verification*, FWC is currently updating its policies and manuals for purchasing, contract and construction management activities, including all templates, to address monitoring requirements. Additionally, as outlined above, the internal training for the FWC-Contract/Grant Managers will also address the responsibilities, importance and expectations of adequate and sufficient contract monitoring. Furthermore, FWC's Finance and Budget Office (FBO), will continue to work with Division and Office representatives to assist in the development of a clear scope of work, adequate monitoring activities and documentation requirements to ensure appropriate oversight.

### 4. Financial Consequences

Section 287.057(14), F.S., requires the agency to enforce the performance of the contract terms and conditions. The contract management file did not provide evidence that FWC assessed financial consequences for noncompliance with the contract terms and conditions as required.

**Corrective Action:** FWC is steadily increasing staff participation, tracking and communication of the requirement for contract/grant management training, as outlined in section 287.057(14), F.S. As outlined in herein, FWC is currently updating its policies and manuals for purchasing, contract and construction management activities, including all templates, to address financial consequences related to the contractor and the contract manager's responsibilities related to administering and contract file requirements. Additionally, as outlined above, the internal training for the FWC-Contract/Grant Managers will also address the responsibilities, importance and expectations related to financial consequences. Furthermore, FBO will continue to work with Division and Office representatives to assist in the development of financial consequences, a clear scope of work, adequate monitoring activities and contract file documentation.

### 5. Cost Analysis

Section 216.3475, Florida Statutes and CFO Memorandum No. 2 (2012-2013), requires agencies to perform a cost analysis for contracts 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. According to CFO Memorandum No. 3 (2014-2015) a cost analysis is required if a competitive solicitation results in less than two responsive bidders to establish competition.

**Corrective Action:** FWC is steadily increasing staff participation, tracking and communication of the requirement for contract/grant management training, as outlined in section 287.057(14), F.S.. As outlined herein, FWC is currently updating its policies and manuals for purchasing, contract and construction management activities, including all templates, to address the cost analysis requirement. Additionally, as outlined above, the internal training for the FWC-Contract/Grant Managers will also address this provision by providing guidance, requirements and implications for a cost analysis, as outlined in section 216.3475, F.S. FBO will continue to work with Division and Office representatives to assist in the development of cost analyses, clear scopes of work, adequate monitoring activities and documentation requirements to ensure appropriate oversight.

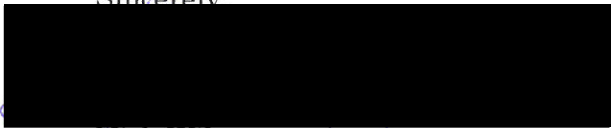
6. Contract/Grant Management – Other

Section 215.86, F. S., states that each state agency and the judicial branch shall establish and maintain management systems and controls that promote and encourage compliance; economic, efficient, and effective operations; reliability of records and reports; and safeguarding of assets. Internal controls help an entity accomplish its mission; safeguard assets; operate efficiently; comply with laws and guidelines; and ensure accurate and reliable financial data. One way an agency can communicate the importance of internal controls to its employees is through effective policies and procedures.

**Corrective Action:** As discussed herein, FWC is currently updating its policies and manuals for purchasing, contract/grant and construction management activities in addition to developing and ensuring training for all staff involved with these activities. Also the FWC-Construction Team being established will be reviewing existing procedures and processes, such as approval of change orders, to ensure appropriate oversight and to mitigate error, fraud, or the appearance of a conflict of interest in future management of agreements.

In conclusion, FWC greatly appreciates the support and guidance provided by our partners at DFS. We look forward to working with you and your team as we improve our contract/grant management activities.

Sincerely,



Nick Wiley,  
Executive Director

/jc

cc: Jodi Bailey, Chief Operating Officer  
Mike Troelstrup, Inspector General