



## OFFICE OF INSURANCE REGULATION

**KEVIN M. McCARTY**  
COMMISSIONER

June 30, 2011

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

Re: Response to 2011 Contract/Grant Review of the Office of Insurance Regulation

Dear Ms. Smith:

The Office of Insurance Regulation (Office) is in receipt of the Department of Financial Services, Division of Accounting and Auditing (Division) Contract/Grant Review summary report. Office Management has reviewed the Division's comments, and appreciates the opportunity to respond at this time.

Before responding to the Division's comments, the Office believes it is important to note that one of the Division employees who participated in the review is a former Office employee. While this may not technically be a conflict of interest, there may be a perceived conflict of interest by having a former Office employee participate in a review of the Office. It is our opinion that the former Office employee should not have participated in the review of his former business unit within the Office.

### ***Review and Office Response***

***Division Comment 1:*** "The contract management activity for five service contracts was not sufficient, as the contract manager did not document verification those services were delivered satisfactorily prior to approving invoices for payment. Deliverables were approved based on vender-generated data such as invoices, status report, and time reports, without documented validation by OIR. The validation process should include reconciling vendor-generated data to data controlled and maintained by OIR."

***Office Response:*** Contracts OIR-10-01, 10-02, and 10-03 are IT staff augmentation contracts that are invoiced based on contractual requirements. Invoices are submitted to the contract manager for review based upon hours and deliverables and the contract manager reviews for accuracy. The contract manager for these contracts is the Market Research and Technology Director, who works closely with the vendor to determine and prioritize the tasks and work to be performed. Invoices are reviewed and the Director verifies that the services were performed

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based on her direct contact with the vendors. Hours worked on each deliverable are reviewed by the Director.

In addition, the Office has a chartered Technology Steering Committee (TSC) which is a cross-organizational committee tasked with identifying, prioritizing and overseeing the Office's system and business technology plans and projects. One of the main roles and responsibilities of the TSC is to monitor progress of new system acquisition or development and existing system modification and enhancement with regard to timeliness, compliance with budgetary constraints and satisfaction of established system requirements. Practically speaking, the TSC reviews vendor project status reports and discusses accuracy and completeness of deliverables referenced in the reports. The project status reports are on a form prescribed by the Department of Financial Services. Each TSC agenda is documented and meeting minutes are completed.

Office contracts OIR 10-17 and 10-24 are outsourced financial examination firm contracts. Each examination is directed by an Office employee who serves as the examination manager. Each examination manager is responsible for determining tasks and reviewing performance of those tasks on an examination. The outsourced examiner is directly managed by the Office. A significant amount of documentation is uploaded into the Office's examination management system.

In an effort to provide even more documentation for the file, the Office will explore additional means to memorialize the hours worked, such as implementing daily timesheets to be completed by the vendors. However, it is the opinion of the Office that the current oversight is sufficient to ensure performance under the contract and requiring additional paperwork will not add value to the current contract monitoring process.

*Division Comment 2:* OIR Contract #'s OIR 10-17 Highland Clark, LLC, and OIR 10-24 ParenteBeard LLC, two invoices related to two service contracts that were approved for payment with rates greater than the amounts allowed by the Office's contracts.

*Office Response:* The Office agrees with this finding for contractors ParenteBeard and Highland Clark. A request was made for a refund of the overpaid amounts. The Office has received refunds from both contractors.

In an effort to enhance our contract management skills, we will be pursuing contract training for examination supervisors. Additionally, the Office will review and enhance where necessary its policies and procedures to ensure all appropriate documentation is included in examination files.

*Division Comment 3:* Three service contracts were missing the required written certification statement by the contract manager: OIR-10-01-A24583 CanDoTechConsulting, OIR-10-02-A2456E Infinity Software and OIR-10-03-A249EA Information Systems of Florida.

*Office Response:* The contract manager has signed the certification statement.

***Conclusion***

The Office appreciates the Division's review of the Office's service contracts/grant agreements and related management activities. The Office believes that the comments made by the Division will assist us in strengthening internal processes and procedures. The Office welcomes a follow-up review by the Division to ensure the measures outlined in this response have been properly implemented.

Sincerely,



Audrey S. Brown  
Chief of Staff

**Attachments**

cc: Kevin McCarty, Insurance Commissioner  
Bonnie Deering, Inspector General  
Belinda Miller, Acting General Counsel  
Al Willis, Acting Deputy Commissioner, Property & Casualty  
Rebecca McCarley, Deputy Chief of Staff  
Robert Ballard, Deputy Director, Property & Casualty Financial Oversight  
Dan McDaniel, Market Research & Technology Manager