



CHIEF FINANCIAL OFFICER
JEFF ATWATER
STATE OF FLORIDA

June 18, 2013

Mr. Ron Russo, Inspector General
Department of Agriculture and Consumer Services
2005 Apalachee Parkway
Rhodes Building, Suite E
Tallahassee, Florida 32399-6500

Dear Mr. Russo:

The Bureau of Auditing (Bureau) performs audits in accordance with Section 17.03, Florida Statutes. 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, Florida Statutes, for grant agreements funded with Federal and State monies. Audits on contractual service agreements are audited pursuant to Sections 287.057(14) and 287.058(1), Florida Statutes. The CFO also issues memorandums that 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, 18 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

Christina Smith • Director

Division of Accounting and Auditing

200 East Gaines Street • Tallahassee, Florida 32399-0353 • Tel. 850-413-5510 • Fax. 850-413-5553

Email • christina.smith@myfloridacfo.com

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We have concluded our review of selected Florida Department of Agriculture and Consumer Services (Department) 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 three (3) service contracts and 16 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 nine agreements. Specifically, we noted the following:

- Three grant agreements did not contain a scope of work that clearly established the tasks to be performed. For example:
 - The National Wild Turkey Federation's Plan of Work was vague and included language such as: "as needed", "periodic dates", and "assist and conduct grant work as necessary."
 - The agreement with the Boll Weevil Eradication Foundation of Florida, Inc. did not clearly identify specific tasks to be completed. The agreement only stated that funding was to be used for the purpose of participating in the Southern Boll Weevil Eradication Program.

- The Archbold Expeditions work plan was vague and did not identify specific tasks to be completed. The agreement only provided a schedule of “research components” to be performed.

Contract #	Service Provider	Contract Amount
17044	National Wild Turkey Federation	\$35,000
18702	Boll Weevil Eradication Foundation of Florida, Inc.	\$150,000
18699	Archbold Expeditions	\$81,543

- The specific level of services required to be performed and/or criteria to determine successful completion of the deliverables were not provided for eight agreements. Examples include:
 - The agreements for the Apalachee Regional Planning Council and Imager Software, Inc. were to fund staff augmentation positions. However, the agreements did not contain criteria to evaluate successful performance.
 - The agreement for the University of Florida, Institute of Food and Agricultural Sciences stated that funds would be paid in advance on a quarterly basis to conduct research. However, there were no minimal levels of service or milestones required prior to the approval of the second, third, and fourth advance payments.
 - The Mote Marine Laboratory agreement did not contain deliverables that were quantifiable, measurable and directly related to the agreement’s scope of work. The agreement required status reports without any minimum performance requirements to support payments.

Contract #	Service Provider	Contract Amount
18422	Apalachee Regional Planning Council	\$135,083
P280524	Imager Software Inc	\$188,758
18703	University of Florida, Institute of Food and Agricultural Sciences	\$720,000
17736	Florida Urban Forestry Council	\$70,000
18902	East Central Florida Resource Conservation and Development Council	\$94,736
17138	Mote Marine Laboratory	\$142,730
18702	Boll Weevil Eradication Foundation of Florida, Inc.	\$150,000
18699	Archbold Expeditions	\$81,543

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, provide written certification of the Department's receipt of goods and services and ensure that all payment requests are certified.

- Our review disclosed that the Department had Contract/Grant management issues with eight agreements. Specifically, we noted the following:
 - The grant management activity for three grant agreements was not sufficient as the Department did not always verify that the number of units billed was actually the number of units delivered. Payments were approved based on provider-generated data, such as a monthly report as evidence of services delivered.

Contract#	Service Provider	Contract Amount
16964	The Volunteer Way Inc	\$87,467
16953	Catholic Charities of Orlando, Inc	\$175,806
19007	Farm Share, Inc	\$750,000

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- Payments were not processed in accordance with contract terms for one agreement. Payments were approved based on a fixed rate per hour basis rather than the cost reimbursement basis as specified in the terms of the contract.

Contract#	Service Provider	Contract Amount
17044	National Wild Turkey Federation	\$35,000

- Four contract management files lacked documentation to reflect that all expenditures were directly related to the specific grant agreement.

Contract#	Service Provider	Contract Amount
18902	East Central Florida Resource Conservation and Development Council	\$94,736
18702	Boll Weevil Eradication Foundation of Florida, Inc.	\$150,000
18699	Archbold Expeditions	\$81,543
17138	Mote Marine Laboratory	\$142,730

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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