

Effective on July 1, 2020

CHIEF FINANCIAL OFFICER MEMORANDUM NO. 01

SUBJECT: CONTRACT AND GRANT REVIEWS AND RELATED PAYMENT PROCESSING REQUIREMENTS

This memorandum updates contract document requirements, clarifies the contract and grant review process, and provides detailed instruction and requirements for conducting and documenting cost analyses.

CONTRACT DOCUMENT REQUIREMENTS

Section 287.058, Florida Statutes (F.S.) was amended in 2013, establishing new provisions related to scope of work and deliverables in order to improve accountability for contractual service agreements entered into by state agencies. These contractual service agreements must include:

- A scope of work that clearly establishes all of the specific tasks the contractor is required to perform.
- Documentation required to be maintained by the contractor to evidence the completion of the tasks.
- Specific deliverables that must be received and accepted prior to payment. Deliverables must be quantifiable, measurable, and verifiable. Each deliverable must be directly related to a task specified in the scope of work and must identify the required minimum acceptable level of service to be performed.
- Specified criteria that will be used to determine the contractor's successful performance of each deliverable.
- Financial consequences that the agency must apply if the contractor fails to perform in accordance with contract. A state agency must apply financial consequences if the contractor fails to meet the minimum acceptable level of service identified in the agreement.

AGREEMENTS FUNDED BY STATE AND/OR FEDERAL FINANCIAL ASSISTANCE

Section 215.971, F.S. requires agreements that are funded by state and/or federal financial assistance include provisions related to scope of work and deliverables. Agreements are required to include:

- A scope of work that clearly establishes all of the specific tasks the recipient/subrecipient is required to perform
- Documentation required to be maintained by the recipient/subrecipient to evidence the completion of the tasks
- Specific deliverables that must be received and accepted prior to payment. Deliverables must be quantifiable, measurable, and verifiable. Each deliverable must be directly related to a task specified in the scope of work and must identify the minimum level of service to be performed.
- Specified criteria that will apply if the minimum level of service is not attained.

- Specified criteria that will be used to determine the recipient's successful performance of each deliverable.
- Financial consequences that the agency must apply if the recipient fails to perform in accordance with contract. A state agency must apply financial consequences if the recipient fails to meet the minimum acceptable level of service identified in the agreement.

CONTRACT AND GRANT REVIEWS

Section 215.985, F.S. requires state agencies to post contract/grant information and images to the Department of Financial Services' (DFS) Florida Accountability Contract Tracking System (FACTS). DFS will utilize FACTS for the review of agreements as authorized in section 287.136, F.S. and section 215.971, F.S. Agencies must upload agreement information that includes the complete contractual service agreement, purchase order, grant agreement, as well as any required special approvals (Attorney General, advance payment, etc.), and procurement documentation (price/cost analysis, specification packages, etc.). Agreements that are exempt from uploading documents into FACTS must provide the same information in a manner previously approved by the Bureau of Auditing (the Bureau) or as statutorily directed.

The Bureau will focus its review of agreements on scope of work, deliverables, financial consequences, compliance with the state term contract (if applicable), and the payment terms, as well as the compliance requirements for state and federal financial assistance. The Bureau will complete the review and provide its conclusions to the submitting agency through DFS' Contract Audit System (CAS). Agencies will have fourteen (14) days to provide a response to the review. DFS will review agency responses and update the review results accordingly. Failure to respond within the timeline will result in a system finalization of the review. Payments may be delayed on agreements that do not meet statutory requirements (scope of work, deliverables, financial consequences, etc.).

COST ANALYSIS REQUIREMENTS

Non-Competitive Awards

- Section 216.3475, F.S. requires agencies to maintain records to support a cost analysis for service agreements awarded on a noncompetitive basis. The proper completion of a cost analysis will require the person or entity awarded funding to submit a detailed budget of estimated costs. The agency's analysis of the submitted budget will consist of evaluating individual cost elements for allowability, reasonableness, and necessity. Part of the "reasonableness" evaluation criteria will also include evaluating the basis of the allocation of direct costs. Agencies are required to maintain all documentation to support the evaluation and completion of the cost analysis.

State/Federal Financial Assistance

- Section 215.971, F.S. requires agreements that provide state or federal financial assistance to recipient/sub-recipients to include provisions for the recipient/sub-recipient to expend funds only for allowable costs, to return unobligated funds, and to return funds paid in excess of the amount the recipient/sub-recipient was entitled to receive. Based on these requirements, agencies will be required to conduct a cost analysis of the proposed detailed budget submitted by the recipient/sub-recipient to ensure projected costs are appropriate. The agency's analysis of the submitted budget will consist of evaluating individual cost elements for allowability, reasonableness, and necessity. Part of evaluating "reasonableness" will also include evaluating the basis of the allocation of direct costs. Agencies are required to maintain all documentation to support the evaluation and completion of the cost analysis.

Cost Reimbursement

- Invoices for cost reimbursement agreements must be itemized by expenditure category. Only expenditures for categories in the approved agreement budget may be reimbursed. Agreements that contain a cost reimbursement element will also require an analysis of the individual cost reimbursement elements of the proposed budget submitted by the vendor. The agency's analysis of the submitted detailed budget will consist of evaluating individual cost elements for allowability, reasonableness, and necessity. Part of evaluating "reasonableness" will also include evaluating the basis of the allocation of direct costs. Agencies are required to maintain all documentation to support the evaluation and completion of the cost analysis.

Cost Analysis Form

- For any agreement in excess of Category Two that meets the above criteria for a cost analysis, the attached Cost Analysis form and instructions will be used to document an agency's review of the detailed budget. If an agency has an existing form which it desires to use, the form must be submitted to the Bureau for review and approval. Documentation must be maintained to support the Agency's cost analysis. The completed cost analysis is to be maintained in the contract manager's contract file.
- For any agreement less than Category Two that meets the above criteria for a cost analysis, the agency will maintain documentation to support the Agency's cost analysis.

**COST ANALYSIS FOR NON-COMPETITIVELY PROCURED AGREEMENTS IN
EXCESS OF CATEGORY II**

Line Item Budget Category	Amount	% Allocated to this Agreement	Allowable	Reasonable	Necessary
Salaries					
Fringe Benefits					
Equipment					
Utilities					
Travel					
Miscellaneous					
Indirect cost/overhead					
TOTAL					

CERTIFICATION:

I certify that the cost for each line item budget category has been evaluated and determined to be allowable, reasonable, and necessary as required by section 216.3475, F.S. Documentation is on file evidencing the methodology used and the conclusions reached.

Name

Signature

Title

Date

**COST ANALYSIS INSTRUCTIONS FOR NON-COMPETITIVELY PROCURED
AGREEMENTS IN EXCESS OF CATEGORY II**

1. Agencies must complete a cost analysis worksheet for the original contract and any amendment that affects the amount of compensation and/or the level of services provided.
2. Each separate line item must be evaluated to determine whether the cost is allowable, reasonable, and necessary. Each miscellaneous cost must be specifically identified.
3. To be allocated to a program, a cost must be related to the services provided. If the cost benefits more than one program, a determination must be made that the cost is distributed in a reasonable and consistent manner across all benefiting programs.
4. To be allowable, a cost must be allowable pursuant to state and federal expenditure laws, rules and regulations, and authorized by the agreement between the state and the provider.
5. To be reasonable, a cost must be evaluated to determine that the amount does not exceed what a prudent person would incur given the specific circumstances.
6. To be necessary, a cost must be essential to the successful completion of the program.
7. Indirect costs/overhead should be evaluated to determine that the rate is reasonable.
8. Agencies must retain documentation in agency files to support the conclusions reached as shown on the *Cost Analysis for Non-Competitively Procured Agreements in Excess of Category II* form.

Please contact The Bureau of Auditing at 850-413-5512 if you have questions regarding this memorandum.