Advancing Accountability
Best Practices in Contract and Grant Management
Presented by Florida Department of Financial Services

Department of Financial Services

Objectives

✓ DFS Role and Resources
✓ Expectations/Best Practices
✓ Requirements

DFS Role and Resources

Expectations/Best Practices

Requirements

Rev. 11.21.13
Introduction

Statutory Authority

Section 17.03, Florida Statutes – “The Chief Financial Officer of this state, using generally accepted auditing procedures for testing or sampling, shall examine, audit, and settle all accounts, claims, and demands, whatsoever, against the state, arising under any law or resolution of the Legislature, and issue a warrant directing the payment out of the State Treasury of such amount as he or she allows thereon.”

“The Chief Financial Officer may adopt and disseminate to the agencies procedural and documentation standards for payment requests and may provide training and technical assistance to the agencies for these standards.”

Division of Accounting and Auditing

To safeguard public assets, settle the state’s financial obligations and report financial information.

Bureau of Auditing

Provide reasonable assurance to the taxpayers of Florida that funds disbursed from the State Treasury are valid obligations of the State and are in general compliance with State Statute.

- Funds are disbursed from the State Treasury in accordance with applicable laws, rules, and administrative policies; and
- Goods/services have been received as specified in the contract/grant agreement.
Carrying Out Our Mission

- Pre-Audit
- Expanded Audit of Payment
- Post Audit
- Reviews
  - Contract
  - Contract Management
  - Vendor/Recipient Determinations

Carrying Out Our Mission

Pre-Audit

Performed prior to posting the payment and creating a warrant, this basic audit is performed to verify:

- A complete and accurate invoice in accordance with the terms and conditions of the agreement was submitted;
- Proof of authorization of purchase (PO, DO, written agreement);
- Documentation of the Agency's receipt and acceptance of goods/services;
- The expenditure is a valid use of public funds and is in accordance with CFO requirements.

Carrying Out Our Mission

Expanded Audit of Payment

A more detailed audit that focuses on the appropriate use of funds and the delivery of services through a review of source documentation maintained by the agency and provider.
Carrying Out Our Mission

**Post Audit**

A detailed review to determine whether the agency has adequate controls in place to ensure that the required services are received and that funds are spent appropriately.

The results of the review are documented in a letter or report to the agency head and a corrective action plan is required from the agency.

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Carrying Out Our Mission

**Comptroller’s Memo #8 (2001-2002)**

Provides for the hold up of funds, offset of funds, etc. in cases where it is determined that an agency lacks proper accountability over the use of funds and/or the delivery of services.

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**Key Elements of Accountability**

- Knowing and understanding the responsibilities/obligations that exist
  - Fiscal
  - Programmatic
- Accepting the Responsibilities
- Demonstrating performance
Website Resources

Division of Accounting & Auditing website

- Audits and Reviews
- Reference Guide for State Expenditures
- Chief Financial Officer Memoranda
- Agency Addressed Memoranda
- Florida Accountability Contract Tracking System (FACTS)

http://www.myfloridacfo.com/Division/AA/
Contract Reviews
The Bureau of Auditing reviews contracts and grants valued at $750,000 or more. This process includes verifying the validity of agreements to ensure that they are consistent with the terms that both parties agree to. The process also includes verifying that the terms are consistent with the laws and regulations that are applicable to the contract. If any discrepancies are found, they are addressed and corrections are made.

<table>
<thead>
<tr>
<th>Agency/Project</th>
<th>State Name</th>
<th>Contract Amount</th>
<th>Start Date</th>
<th>End Date</th>
<th>OK</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
<th>6</th>
<th>7</th>
<th>8</th>
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</thead>
<tbody>
<tr>
<td>XYZ Corporation</td>
<td>San Francisco, CA</td>
<td>$1,234,567</td>
<td>01/01/2022</td>
<td>12/31/2023</td>
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<td>Y</td>
<td>N</td>
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<td>Y</td>
<td>Y</td>
<td>32,123</td>
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<tr>
<td>ABC Corporation</td>
<td>Los Angeles, CA</td>
<td>$321,000</td>
<td>06/01/2022</td>
<td>12/31/2022</td>
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<td>N</td>
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<td>Y</td>
<td>Y</td>
<td>Y</td>
<td>Y</td>
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</tr>
<tr>
<td>DEF Corporation</td>
<td>New York, NY</td>
<td>$432,123</td>
<td>07/01/2022</td>
<td>12/31/2022</td>
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<td>N</td>
<td>N</td>
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<td>Y</td>
<td>Y</td>
<td>Y</td>
<td>Y</td>
<td>34,567</td>
</tr>
</tbody>
</table>

Manuscripts
Manuscripts issued by the Bureau of Auditing and Accounting. Updates to this site will occur as additional manuscripts or updates are issued.

- Florida Accountability Performance Standards
- Florida Accountability Performance Standards
- Florida Accountability Performance Standards
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- Florida Accountability Performance Standards
- Florida Accountability Performance Standards

Reference Guide for State Expenditures

Has the authority of rule.
Special Note

Information provided applies to all agreements: Purchase orders, Direct orders, Memorandums of Understanding (MOU), Memorandums of Agreement (MOA), Contracts, Grants, etc.

It also applies to all disbursements from the State Treasury*, regardless of the funding source (state or federal). If a discrepancy exists, the more restrictive generally applies.

*Section 215.31, F.S.

Seven Crucial Elements

1. PLANNING
2. PROCUREMENT
3. COST ANALYSES
4. AGREEMENTS
5. MONITORING
6. PAYMENTS
7. CLOSE OUT

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Seven Crucial Elements

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“Let our advance worrying become advance thinking and planning.”

Winston Churchill
British Orator, Author, & Prime Minister
Purpose

• Roadmap
• 80/20 Theory
• Resource Management

Considerations

- Identified Need
  - What
  - When
  - Program & Funding Parameters
- Required Results Defined
  - Determining Success
- Budget

Five Planning Steps

1. **Determine and document your Goals and Objectives.**

   - What are you trying to accomplish?
   - How does it relate to your program goals?
Five Planning Steps

2. Review Programmatic and Fiscal Information from Prior Agreements.*

- Quality
- Performance
- Costs
- Schedule
- Past Business Relations

What worked/didn’t work?
*If adequate monitoring has not occurred, this information may not exist.

Five Planning Steps

3. Identify the source of funds.

- Funds may have specific restrictions.
- May identify allowable and unallowable activities and fund use.
- If State or Federal Financial Assistance, a Vendor vs. Recipient/Sub-recipient determination must be made.

Five Planning Steps

4. Identify all tasks/services needed to achieve the desired results.

- A crucial part of developing the Scope of Work.
  - Performance Levels
  - Quality Levels
- Will play a vital role in ensuring the goals and objectives of the program are met.
Five Planning Steps
5. Select an agreement type.

method of payment

Agreement Types

- **Fixed Price** – 1/12, quarterly (predictable amount/cost)
- **Fixed Rate** – per hour, per client
- **Cost Reimbursement** – actual allowable/allocable expenditures up to maximum level of reimbursement
- **Combination**

**NOTE**: Agreements with Recipients or Sub-Recipients – The method of payment is merely a means of disbursing funds to the provider; funds must still be accounted for in accordance with governing state/federal requirements.

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Seven Crucial Elements

Procurement

Section 287.001, Florida Statutes
Recognizes that fair and open competition is a basic tenet of public procurement.
- Legal compliance
- Ethical Approach
- Paying fair market rate

Competitive Solicitations
Section 287.057, Florida Statutes

**Invitation to Bid (ITB)**
- Used when the agency knows exactly what is required.
- Price is the determining factor in the award.

**Request for Proposal (RFP)**
- Used when the agency has a general idea of what is required.
- Services and price are evaluated.
Competitive Solicitations

**Invitation to Negotiate (ITN)**
- Used when:
  - the scope of work has not been accurately or completely defined;
  - services can be provided in different ways; or,
  - qualifications of provider and quality of work is more important than price.
- Works best when highly technical and/or complex services are being acquired.
- Price is negotiated based on agreed upon scope of work.

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Seven Crucial Elements

- Planning
- Procurement
- Cost Analyses

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What is a cost analysis?

The process of reviewing and evaluating a detailed budget to determine the allowability, allocability, reasonableness, and necessity of each cost element.
When is a cost analysis required?

- Any method of selecting or awarding agreements to providers that did not involve the competitive procurement process
- Agreements with recipients/sub-recipients
- Cost reimbursement agreements

Section 216.3475, F.S.

A person or entity that is awarded funding on a non-competitive basis may not be paid more than the competitive market rate...

Section 216.3475, F.S.

Agencies will maintain records to support a cost analysis. The analysis will include a detailed budget and the agency’s review of individual cost elements for allowability, reasonableness, and necessity.

For agreements exceeding Category II ($35,000), Agencies will refer to CFO Memo No. 2 (12-13) for the required Cost Analysis form and instructions.
Cost Analysis

Determining that proposed costs are allowabe.

- Authorized by:
  - State Laws
  - State Rules
- Reference Guide for State Expenditures
- Federal Laws, Rules and Regulations

Ask – Can the funds be used in this manner?

Cost Analysis

- Attorney General Opinion #78-101 - states an agency must have expressed or implied statutory authority to expend state funds.
- An agency cannot delegate to a provider an authority the agency does not possess. If an expenditure is unallowable for an agency, it is generally unallowable for the provider.

State Financial Assistance

- Section 215.97, F.S.
- Rule 69I-5, F.A.C.

DFS offers training on the Florida Single Audit Act.
Cost Analysis
State Expenditure Guidelines

- Florida Administrative Code
- CFO Memo #3, 2014-2015
- Reference Guide for State Expenditures
- Catalog of State Financial Assistance
- State Projects Compliance Supplement

Federal Funds

- Project CFDA# (Catalog of Federal Domestic Assistance)
- *2 CFR (Code of Federal Regulation) Part 200,


Cost Analysis
Evaluate necessity and reasonableness of proposed costs.

- Must be necessary to provide services.
- Use sound business practices in purchase.
- Requires professional judgment.
- Justification should be documented.

*Ask - Can I defend this purchase?
Cost Analysis

Allocating proposed costs

- A cost cannot be allowable, reasonable, and necessary unless it is allocable.
- A cost must be allocated in proportion to its benefit to the agreement.
- Must be able to prove the proportional benefit to the agreement.

Ask – What is the basis for the allocation?

Cost Analysis

Allocation Example

If a provider leases a copier that will be used 25% on our agreement and 75% for other activities, only 25% of costs may be budgeted to our agreement.

(Documentation to support how the copier is actually used will be needed when costs are incurred for recipient/sub-recipient and cost reimbursement agreements.)

Cost Analysis

Salary Costs must be allocated proportionally based on activity.

Documented by project timesheets

- Demonstrates employee worked on the specific agreement
- At least monthly and coincide with one or more pay periods
- Accounts for all activity
- Signed by employee or supervisor with first-hand knowledge
- After the fact
Cost Analysis

Additional actions to consider

- Review the organization’s cost allocation plan.
- Compare to actual costs previously incurred for the same services.
- Compare to costs in similar agreements.
- Justify any significant deviations in cost.
- Conduct a price analysis.

Cost Analysis Exercise

Objective:

Ensure Proposed Costs Are:

(See Handout)

- Allowable
- Reasonable
- Necessary
- Allocable

EXAMPLE

Cost Analysis

<table>
<thead>
<tr>
<th>Budget</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Principal Director (Salary &amp; Benefit)</td>
<td>$85,000</td>
</tr>
<tr>
<td>Instructor (Salary &amp; Benefit)</td>
<td>$50,000</td>
</tr>
<tr>
<td>Rent and Utilities</td>
<td>$17,600</td>
</tr>
<tr>
<td>Cellular Telephone</td>
<td>$3,102</td>
</tr>
<tr>
<td>Consultant</td>
<td>$10,000</td>
</tr>
<tr>
<td>Travel</td>
<td>$7,900</td>
</tr>
<tr>
<td>Equipment</td>
<td>$63,136</td>
</tr>
<tr>
<td>Miscellaneous</td>
<td>$4,716</td>
</tr>
<tr>
<td>Total Budget</td>
<td>$106,000</td>
</tr>
</tbody>
</table>
Questionable Expenditure Examples:

- Candy
- Alcohol
- Banquets
- Decorations
- Greeting Cards
- Gift Cards
- Lobbying
- Personal Cellular Telephones
- Fund Raising
- Promotional Items
- Entertainment
- Meals not in accordance with Section 112.061, F.S.

Note: some of these items may be allowable with statutory authority.
Questionable Expenditure Examples:

- Microwave Ovens*
- Refrigerators*
- Coffee Pots*
- Portable Heaters*
- Fans*

*For the personal convenience of staff.

- Flowers
- Refreshments
- Office Parties

Note: some of these items may be allowable with statutory authority.

Cost Analysis

Summary

- Competition (2 or more responses) usually establishes price reasonableness.

- Fixed price and fixed rate agreements with vendors that have been competitively procured usually do not require further price or cost analysis.

Cost Analysis

Summary

- Agreements with recipients generally do require a cost analysis regardless of the procurement or payment methods used. (CFOM #3, 2014-2015)

- Cost reimbursement always require cost analysis.

- Non-competitive procurements require a cost analysis (Section 216.3475, F.S.).
The Agreement

The agreement should contain all the elements that guide the relationship between the provider and the State Agency.

The Agreement

The agreement document provides a clear blueprint that all parties can follow to make sure the Agency’s expectations and objectives are met.

- Has a direct effect on the payment and monitoring processes.
- The level of the project’s success can be influenced by the quality of the agreement document.
The Agreement

It is the first recourse when misunderstandings occur and provides the legal basis for enforcing the agreement.

Assembling the Agreement

All Terms and Conditions

Assembling the Agreement

Specific Scope of Work
Assembling the Agreement

**Specific Deliverables Related to the Scope of Work**

Assembling the Agreement

**Financial Consequences for Non-compliance and Non-performance**

Assembling the Agreement

**Standard Audit Language**
Assembling the Agreement

Availability of All Records for Inspection

Assembling the Agreement

Sub-Contracting/Sub-Granting Terms

Assembling the Agreement

Timing, Nature, Substance of All Reports
Assembling the Agreement

Provision for Disposition of Property

Assembling the Agreement

Payment Terms

The Agreement

Statutory Requirements

- **Scope of Work** clearly establishing all task requirements.
- **Deliverables** that must be received and accepted in writing by the agency before payment.
- Required minimum level of service to be performed and criteria for evaluating successful completion.
- Specifying the **Financial Consequences** that the agency must apply if the contractor fails to perform in accordance with the agreement.

s. 215.971, F.S.
s. 287.056, F.S.
s. 287.058, F.S.
Scope of Work

The Scope of Work is the most important part of your agreement.

Scope of Work

- Clearly Established
  Identify all tasks/services that the provider is required to perform.

- Specific
  Specific detailed direction regarding the performance/documentation of services

- Directly related to the goals and objectives of the Program
  Benefit to the program/state should be clearly evident.

Scope of Work

Keep in mind who the audience may be:

- Contract Manager/ Monitor
- Provider
- Agency Management
- Fiscal Offices
- Investigators
- Auditors
- Lawyers
- Courts
- The Public
Scope of Work Tips

- Clarify industry specific or technical terms.
- Passive language will get you in trouble.
- Avoid ambiguous language.

Watch Your Language!

*Real Contract Language*

"The Provider shall target youth by exhibiting behavior associated with high risk such as low grades and habitual absenteeism."

"The Program shall service youth who live in communities where laws are favorable to drug use and crime."
Scope of Work Tips

- Quantity of activities/service
- Qualitative standards
- Documentation Requirements
  - Source Documentation

Scope of Work

Provider will provide a 12-part, Desktop Support/IT Help Desk training program (as defined in Attachment A) for 50 eligible participants on a full-time basis (as defined in Attachment A) at the provider's location Monday through Friday 2:00PM to 6:00PM, excluding state holidays, for the period of 7/1/14 to 6/30/15 . . . . Staff will consist of 1 program director and 2 instructional staff that meet the minimum qualifications (as defined in Attachment C).
Pitfalls of a Poor Scope of Work

- Intended tasks are not performed, because they were not clearly identified.
- Unnecessary work (and expenses) due to misunderstanding of provider obligations.
- Insufficient proof of benefit to the state.
- Inability to make provider comply with expectations.

Deliverables

Quantifiable, measurable and verifiable events or items that must be produced to trigger payment.

Deliverables must be...

Deliverables

Statutory Requirements

- Scope of work clearly establishing all task requirements.
- Deliverables that must be received and accepted in writing by the agency before payment.
- Required minimum level of service to be performed and criteria for evaluating successful completion.
- Specifying the financial consequences that the agency must apply if the contractor fails to perform in accordance with the agreement.

s. 215.971, F.S.
s. 287.056, F.S.
s. 287.058, F.S.
Developing Deliverables

- Related to Scope
  - Clearly identify the tasks/minimum level of service that must be completed to meet each deliverable.
  - State in detail how the delivery of tasks/services will be documented.
  - Timelines for completion and submission of the deliverables for approval.

Deliverables

Difficulty in developing deliverables may be an indication of a vague scope of work.

(Scope of Work)

<table>
<thead>
<tr>
<th>Tasks</th>
<th>Deliverables</th>
</tr>
</thead>
<tbody>
<tr>
<td>A</td>
<td>#1 $75,000</td>
</tr>
<tr>
<td>B</td>
<td>#2 $75,000</td>
</tr>
<tr>
<td>C</td>
<td>#3 $75,000</td>
</tr>
<tr>
<td>D</td>
<td>#4 $75,000</td>
</tr>
<tr>
<td>E</td>
<td></td>
</tr>
<tr>
<td>F</td>
<td></td>
</tr>
</tbody>
</table>

$300,000.00
Financial Consequences

Financial consequences that must be applied in the event that the provider fails to perform in accordance with the agreement. (Sections 215.971 & 287.058, F.S.)

Different from a termination clause, which severs the relationship between the agency and the provider.

Fixed Price Deliverables

**Scope of Work**
Provider will provide a 12-part, Desktop Support/IT Help Desk training program (as defined in Attachment A) for 50 eligible participants on a full-time basis (as defined in Attachment A) at the provider's location Monday through Friday 2:00PM to 6:00PM, excluding state holidays, for the period of 7/1/14 to 6/30/15. . . Staff will consist of 1 program director and 2 instructional staff that meet the minimum qualifications (as defined in Attachment C).

**Deliverable**
Monthly Progress Report. Provider will be paid $25,000 each month upon submission of a progress report.

<table>
<thead>
<tr>
<th>Deliverable</th>
<th>Probability</th>
<th>Cost</th>
</tr>
</thead>
<tbody>
<tr>
<td>A</td>
<td>#1</td>
<td>$75,000</td>
</tr>
<tr>
<td>B</td>
<td>#2</td>
<td>$75,000</td>
</tr>
<tr>
<td>C</td>
<td>#3</td>
<td>$60,000</td>
</tr>
<tr>
<td>D</td>
<td>#4</td>
<td>$75,000</td>
</tr>
</tbody>
</table>

Total: $285,000.00
## Fixed Price Deliverables

### Scope of Work

Provider will provide a 12-part, Desktop Support/IT Help Desk training program (as defined in Attachment A) for 50 eligible participants on a full-time basis (as defined in Attachment A) at the provider's location Monday through Friday 2:00PM to 6:00PM, excluding state holidays, for the period of 7/1/14 to 6/30/15. . . . Staff will consist of 1 program director and 2 instructional staff that meet the minimum qualifications (as defined in Attachment C).

### Related To Scope of Work Deliverable

**Deliverable:** one month of services meeting scope of work criteria:
- 1 program director and 2 instructors
- 50 eligible full-time participants
  (Attachment A)
- Monday-Friday, 2-6 PM

**Payment Amount:** $25,000 per month for performing in accordance with the SOW.
The provider will submit a progress report as required in Attachment D.

**Financial Consequences:** Payment will be reduced by $x for each vacant/unqualified staff position, $x for each participant under the min. required, and $x for each weekday services are not provided.

## Cost-Reimbursement Deliverables

### Scope of Work

Provider will provide a 12-part, Desktop Support/IT Help Desk training program (as defined in Attachment A) for 50 eligible participants on a full-time basis (as defined in Attachment A) at the provider's location Monday through Friday 2:00PM to 6:00PM, excluding state holidays, for the period of 7/1/14 to 6/30/15. . . . Staff will consist of 1 program director and 2 instructional staff that meet the minimum qualifications (as defined in Attachment C).

### Related To Scope of Work Deliverable

**Deliverable:** Monthly Invoice. Provider will be reimbursed for expenditures incurred in accordance with the budget upon submission of a monthly invoice.

### Not Related To Scope of Work Deliverable

**Delivery:** Reimbursement will be made only for budgeted expenses that are directly related to the project.
The provider will submit a progress report as required in Attachment D.

**Financial Consequences:** Payment will be reduced by $x for each vacant/unqualified staff position, $x for each participant under the min. required, and $x for each weekday services are not provided.
### Fixed Rate Deliverables

<table>
<thead>
<tr>
<th>Scope of Work</th>
<th>Related To Scope of Work Deliverable</th>
</tr>
</thead>
<tbody>
<tr>
<td>Provider will provide a 12-part, Desktop Support/IT Help Desk training program (as defined in Attachment A) for 50 eligible participants on a full-time basis (as defined in Attachment A) at the provider's location Monday through Friday 2:00PM to 6:00PM, excluding state holidays, for the period of 7/1/14 to 6/30/15. Staff will consist of 1 program director and 2 instructional staff that meet the minimum qualifications (as defined in Attachment C).</td>
<td>Deliverable: Participant enrolled/and or receiving services. The provider will be paid $500 per month for each participant enrolled and/or receiving services up to $25,000 (50 participants x $500) per month.</td>
</tr>
</tbody>
</table>

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### Fixed Rate Deliverables

<table>
<thead>
<tr>
<th>Scope of Work</th>
<th>Related To Scope of Work Deliverable</th>
</tr>
</thead>
</table>
| Provider will provide a 12-part, Desktop Support/IT Help Desk training program (as defined in Attachment A) for 50 eligible participants on a full-time basis (as defined in Attachment A) at the provider's location Monday through Friday 2:00PM to 6:00PM, excluding state holidays, for the period of 7/1/14 to 6/30/15. Staff will consist of 1 program director and 2 instructional staff that meet the minimum qualifications (as defined in Attachment C). | Deliverable: One (1) full time, participant (as defined in Attachment A) receiving one month of services which meet scope of work criteria:  
- 1 program director and 2 instructors  
- Monday-Friday, 2-6 PM  
Payment amount: $500 per full-time participant, for up to 50 eligible participants. The provider will submit a progress report as required in Attachment D. Financial Consequences: Payment will be reduced by $x for each vacant/unqualified staff position and $x for each weekday services are not provided. |

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### Proceed with CAUTION

- Offer...  
- Coordinate...  
- Collaborate...  
- Consult...  
- May...  
- Could...  
- Outreach  
- Up To...  
- Use best efforts...  
- Promote...  
- Assist...  
- Support...  
- Participate...  
- Includes but is not limited to...  

These words/phrases should not be used alone. More detail is needed.
Reporting

All reports/documentation required to be submitted or maintained by the provider must be clearly outlined in the agreement.

For example:
- Title
- Frequency
- Form
- Due Date
- Format

Considerations

- Include the date each report is due.
- List the specific information each report is to contain.
- Require a standard format for reports.
- Prescribe the order that records are presented in reports.
- Require documentation to support the information in the reports be maintained and made available upon request.
  
Financial Consequences

Payment Terms – The Basics

- Identify the specific information to be included on each invoice*.
- Identify the documentation required to accompany each invoice and the format in which it is to be submitted.
- Identify timelines for invoice submission and approval and deadline for final payment.
- Consider providing examples of required documents.

* Rule 69I-40.002, F.A.C.
Payment Terms - Advances

- Statutory authority required
  - Section 215.422(14), F.S.
  - Section 216.181(16), F.S.

- Included in payment terms of agreement
  - Recoupment schedule
  - Return of any interest

Agreement Modifications

**No amendments, extensions, change orders, etc. can be made after:**

- An agreement term has expired,
- All the funds have been used, or
- All contracted services have been delivered

Agreement Modifications

**Renewals**

- “Contracts for commodities or contractual services may be renewed for a period that may not exceed 3 years or the term of the original contract, whichever is longer” (287.057(13), F.S.).
- Renewals must be in writing and subject to the same terms and conditions of the original agreement. Contingent on satisfactory performance evaluations and availability of funds.
- Agreements procured by exceptional purchase pursuant to Section 287.057 (3)(a) and (3)(c), F.S. may not be renewed.
- Competitively procured agreements must include the option to renew in the original solicitation. Bids/Proposals submitted must include the price for each renewal year.
Agreement Modifications

Additional Compensation

- Additional compensation is only allowable for additional services. (Section 215.425, F.S.)

- If additional services exceed $35,000, then an appropriate procurement must be used.

Agreement Modifications

Common Issues

- Competitively procured agreements amended changing the terms of the agreement (scope of work, deliverables, method of compensation, etc.)

- Amendments increasing compensation without increasing services.

- Amendments decreasing services without decreasing compensation.

- Amendments making changes retroactively

- Renewals of emergency and single source purchase agreements

- Multiple extensions
**Agreement Files**
- Maintained for each agreement
- Neat, complete, and organized
- Records must be retained for at least five years from last activity.
- Format established by agency

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**Seven Crucial Elements**

1. Planning
2. Procurement
3. Monitoring
4. Agreements
5. Cost Analyses

---

**Purpose of Monitoring**

To ensure the provider's performance and compliance with the requirements in the agreement.
Effective Monitoring Possible?

Vague

The provider will provide a 12-part, one (1) year training program for eligible participants. During the program, participants will be supported by staff advisors, professional mentors, and a powerful network of community-based partners.

Effective Monitoring Possible?

More Specific

Provider will provide a 12-part, Desktop Support/IT Help Desk training program (as defined in Attachment A) for 50 eligible participants on a full-time basis (as defined in Attachment A) at the provider’s location Monday through Friday 2:00PM to 6:00PM, excluding state holidays, for the period of 7/1/14 to 6/30/15. Staff will consist of 1 program director and 2 instructional staff that meet the minimum qualifications (as defined in Attachment C).

Monitoring

It’s not an isolated event!

Monitoring is an ongoing process that is both interactive and proactive.
Monitoring

*It’s not an exact science!*

There are different ways of utilizing various activities to effectively monitor your agreements.

Monitoring Activities

- Review Periodic Provider Reporting
- Onsite Reviews and Observations
- Desk Reviews
- Periodic Contact with Provider
- Review of Audit Reports
- Invoice Reviews
- Client Surveys

Monitoring Two Aspects

- **Programmatic** – determines compliance with terms and conditions, and service delivery related requirements.
- **Fiscal** – determines if funds have been accounted for and used appropriately by the service provider *(Cost reimbursement and/or recipient/subrecipient agreements.)*
Programmatic Monitoring

Determines whether:

- Provider complied with all terms and conditions of the agreement, laws, and rules.
- All services/tasks identified in the Scope of Work have been performed.
- Deliverables have been met.
- Program goals are being achieved.

Programmatic Monitoring

Is the provider complying with program requirements, laws, and rules?

For example:
- Business Qualifications/Requirements
- Staff Qualifications
- Client Eligibility
- Activities Allowable (per funding source)
- Licensure

Programmatic Monitoring

Is the provider performing all required services?

For example:

Scope of work
- Number of participants
- Hours worked/services provided
- Activities satisfactorily completed

Deliverables
- Milestones (phases, level of completions)
- Achievements (completion of a bundle of services)
Common Programmatic Issues

- Services performed prior to execution of agreement.
- Insufficient documentation.
- Performance/Deliverable Based Agreements – Not documenting the effort provided to achieve deliverables.
- Clients ineligible for program.

Fiscal Monitoring

Determines whether:

- All expenditures were:
  - In accordance with applicable laws, rules and regulations;
  - Authorized by the agreement;
  - Directly related to the project; and
  - Properly documented.

(Cost reimbursement and/or recipient/sub-recipient agreements.)

Fiscal Monitoring

Determines whether:

- All funds were properly accounted for (separate bank account or project cost records).
- Total payments are within the limits set by the agreement.
- Match requirements are being met, if applicable.

(Cost reimbursement and/or recipient/sub-recipient agreements.)
**Common Expenditure Issues**

- Insufficient documentation.
- Expenditures not relevant to agreement.
- Consultant agreements where payment rates are not supported or justified.
- Transactions such as leases, consultants, sub-contracts and sub-grants with related parties. Requires extensive justification and/or documentation.

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**Monitoring Preparation**

With limited resources, you must determine which providers will receive the most of your monitoring resources.

Consider:
- Which providers needs the most assistance?
- What is the most effective, efficient use of your resources?

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**Risk Assessment**

- Evaluate each agreement using established criteria to determine the level of risk (e.g. low, medium, high).
- It is the foundation for your monitoring plan.
- Helps determine the timing, nature, and extent of monitoring.
Risk Assessment

Examples of Risk Factors
Consider which factors are material to the success of the agreement and your program.

- Total dollar amount of each agreement
- Complexity of services
- Risks to clients and the public
- Providers’ experience and expertise
- Providers’ past performance
- Program fiscal requirements

Risk Assessment
Score sheet example

<table>
<thead>
<tr>
<th>Provider</th>
<th>Score</th>
<th>Risk Level</th>
</tr>
</thead>
<tbody>
<tr>
<td>We Care, Inc.</td>
<td>45</td>
<td>High</td>
</tr>
<tr>
<td>Educating Youth Today</td>
<td>40</td>
<td>High</td>
</tr>
<tr>
<td>Seminole Center</td>
<td>33</td>
<td>Medium</td>
</tr>
<tr>
<td>ABC Moving Company</td>
<td>26</td>
<td>Medium</td>
</tr>
<tr>
<td>R.E.A.D.</td>
<td>18</td>
<td>Low</td>
</tr>
</tbody>
</table>

Monitoring Plan

After assigning a risk level to each agreement, a monitoring plan is completed to identify the timing, nature, and extent of monitoring activities...
Monitoring Plan Example

Based on the ranking, monitoring activities are applied to address the risk level

- **Low Risk** – annual desk monitoring, review monthly invoice processing with budget, quarterly reports, and audit report.
- **Medium Risk** – quarterly desk monitoring, selective deliverable review (with source documentation), and audit report review.

*Note: Program laws and rules may impact monitoring plan.*

---

Monitoring Plan Example

Based on the ranking, monitoring activities are applied to address the risk level

- **High Risk** – annual on-site review, selective deliverable review (with source documentation), audit report review, monthly expenditures review, monthly invoice processing with budget review, and quarterly review of reports

*Note: Program laws and rules may impact monitoring plan.*

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Monitoring Tool

Documents the process used to determine compliance with requirements including sampling, testing, reporting, and corrective action.
Monitoring Tool

- Formally documents the monitoring activity.
- Identifies the criteria used to assess the provider's performance and compliance.
- Should include requirements that are critical to your project's success.
- Customize your monitoring tool based on the agreement requirements.

Monitoring Tool

The monitoring tool should identify:

- Detailed information regarding the monitoring activity itself (date, time, location, reviewer, etc.).
- Each requirement (criteria) being evaluated.
- Source documentation examined.
- Comments and results.

Note: Results should be based on evidence and documented observations.

Monitoring Tool

Identify program requirements, laws and rules:

1. Carefully read the entire agreement.
2. Federal funds – review cost principles in appropriate OMB Circulars, the project CFDA, and any CFRs and Federal Public Laws referenced, etc.
3. State funds – know the requirements for state financial assistance. Read s. 215.97, F.S., the corresponding CSFA, compliance supplement, etc.
4. Understand any state rules/laws referenced in the agreement.
Monitoring Sampling

- Determine the total population.
- Sample normally represents the population.
- Document how you selected sample items.

Documentation

- Sufficient *(enough)*
- Reliable *(dependable & trustworthy)*
- Relevant *(related to the agreement)*

"The palest ink is better than the best memory."

*Chinese Proverb*

Contract and Grants Training

Please sign in

1. Chris Lee
2. Bill Knight
3. Glenn Field
4. Lynn Nible
5. Bob Smith
6. Kimberly Kye
7. John Doe
8. Ned Clayton
9. John Ringe
Documentation

Examples

- Paid detailed invoices – Statements are not adequate
- Cancelled Checks/Bank Statements
- Payroll Registers/Signed Employee Project Time Sheets
- Travel vouchers in accordance with Section 112.061, F.S.
- Case notes
- IRS Return (Not-For-Profit Organizations)
- Attendance records/Sign-in sheets

Documentation

"The Provider shall provide activities and/or resources to youth to sustain employment. These activities may include employment counseling, job referral services, assistance to the youth in obtaining employment or ongoing training to sustain/maintain employment. Resources may include assistance to youth in obtaining documentation necessary for employment (birth certificate, social security card, ID card); and transportation assistance (bus tokens, cab fare, direct transportation, bicycle, etc.), clothing, tools, training materials, workbooks, and other items necessary for job readiness/skills training."

Documentation

Is there Statutory Authority for this type of purchase?

What does the documentation tell us?

Is this documentation sufficient, reliable, relevant?
Reporting Monitoring Results

Findings/results must be reported in a timely manner in order to be effective.

Monitoring results should be communicated to:
- Provider
- Agency management
- Others that may need/require the information

Corrective Action

Non-compliance issues should be documented and addressed in a timely manner. The provider must be notified.

Appropriate corrective action, (e.g., financial consequences, additional time for compliance, termination of agreement) should be taken and documented.

Contract/Grant Monitoring

Workshop that provides:
- Hands-on monitoring experience
- A better understanding of the importance of a well-written agreement and
- Additional exercises in applying concepts discussed today, focusing on areas that create challenges to the Agency’s ability to ensure accountability.

For more information, see Agency Addressed Memo.
Seven Crucial Elements

1. PLANNING
2. PROCUREMENT
3. MONITORING
4. AGREEMENTS
5. COST ANALYSES
6. PAYMENTS
7. MANAGING

Payment Process Overview

Provider (Recipient/Vendor) 
Executed agreement 
State Agency

*Provider performs service and submits an invoice to the agency.

Agency receives invoice and verifies service delivery.

Payment Request is forwarded to the Department of Financial Services (DFS).

DFS audits payment requests.

*If services are delivered prior to execution of the agreement, a settlement agreement may become necessary.

Payment Verification

Reasons for return of payment FY 14-15

- Payment not in accordance with contract or contract summary form
- Other additional supporting documentation / justification needed
- Insufficient cash / insufficient budget release
- Incorrect object code
Payment Verification
Reasons for return of payment FY 14-15

- Agreement record missing / incomplete in FACTS
- Contract / grant not submitted
- Incorrect voucher schedule amount
- Invoice not submitted
- Incorrect invoice amount
- Advance payment authority not cited / submitted

Payment Verification
Section 287.057, Florida Statutes

(14) For each contractual services contract, the agency shall designate an employee to function as contract manager who shall be responsible for enforcing performance of the contract terms and conditions and serve as a liaison with the contractor.
Payment Verification
Section 287.057, Florida Statutes

(14) ... The procedures shall include, but need not be limited to, procedures for monitoring and documenting contractor performance, reviewing and documenting all deliverables for which payment is requested by vendors, and providing written certification by contract managers of the agency’s receipt of goods and services.

Payment Verification
Section 215.971, Florida Statutes

(2) For each agreement funded with federal or state financial assistance, the state agency shall designate an employee to function as a grant manager who shall be responsible for enforcing performance of the agreement’s terms and conditions and who shall serve as a liaison with the recipient or subrecipient.

Payment Verification
Section 215.971, Florida Statutes

(2) ... The procedures must include, but need not be limited to, procedures for monitoring and documenting recipient or subrecipient performance, reviewing and documenting all deliverables for which payment is requested by the recipient or subrecipient, and providing written certification by the grant manager of the agency’s receipt of goods and services.
The grant manager shall reconcile and verify all funds received against all funds expended during the grant agreement period and produce a final reconciliation report. The final report must identify any funds paid in excess of the expenditures incurred by the recipient or subrecipient.

Payment Verification
Section 215.971, Florida Statutes

(2) ...

The Chief Financial Officer may require proof, as he deems necessary, of delivery and receipt of purchases before honoring any voucher for payment from appropriations made in the General Appropriations Act or otherwise provided by law.

Payment Verification
Section 215.42, Florida Statutes

The Agency must:
- Review invoices for accuracy and completeness;
- Verify that any required supporting documentation has been submitted;
- Review documentation to gain reasonable assurance that services have been satisfactorily provided;
- Approve invoice after all other steps have been satisfactorily completed.
Payment Verification Actions

**Fixed Rate**
- Verify invoice provides unit description and unit price.
- Compare invoiced units of service to supporting documentation.
- Verify that the rate billed coincides with agreement rate.
- If minimum performance standards are not met, apply financial consequences.

Payment Verification Actions

**Fixed Price**
- Verify invoice amount agrees with the price stated in the agreement.
- Review supporting documentation and determine if minimum performance standards have been met.
- If minimum performance standards are not met, apply financial consequences.

Payment Verification Actions

**Cost Reimbursement**
- Verify expenditures are:
  - Allowable in the agreement budget
  - Allowable pursuant to other rules and regulations
  - Directly related to the scope of work
  - Reasonable
  - Documented
- Verify minimum performance standards are met and apply financial consequences as necessary.
A cost reimbursement situation does not exist until funds have been expended. Incurring a liability does not constitute a reimbursable situation.

Travel costs (meal allowance, mileage, per diem, etc.) will be paid in accordance with Section 112.061, Florida Statutes.

Payment Verification Actions
Cost Reimbursement

Special Notes:

- A cost reimbursement situation does not exist until funds have been expended. Incurring a liability does not constitute a reimbursable situation.
- Travel costs (meal allowance, mileage, per diem, etc.) will be paid in accordance with Section 112.061, Florida Statutes.

Payment Verification Actions
Combination Contracts

- Apply criteria for the appropriate combination.

Seven Crucial Elements

CLOSE OUT
PAYMENTS
MONITORING
AGREEMENTS
COST ANALYSES
PROCUREMENT
PLANNING
Programmatic Closeout

Includes, but is not limited to, determining and documenting that:

✓ All deliverables and services have been delivered and accepted in writing.
✓ All reports have been received and accepted in writing.
✓ Determine whether agreement objectives were met.
✓ Financial consequences have been assessed for non-performance/non-compliance.

Fiscal Closeout

Includes, but is not limited to, determining and documenting that:

✓ Acquired non-expendable property has been returned to state agency.
✓ Advances and/or interest earned on advances have been recovered or applied against what is owed.
✓ Match requirements have been met.
✓ Amounts assessed as financial consequences for non-performance/non-compliance have been recovered.

*Required for agreements with recipients or sub-recipients and all cost reimbursement agreements.
Seven Crucial Elements

CLOSE OUT
PAYMENTS
MONITORING
AGREEMENTS
COST ANALYSES
PROCUREMENT
PLANNING

POST TEST