

Effective July 1, 2020

COMPTROLLER'S MEMORANDUM NO.04

SUBJECT: TO PROVIDE GUIDANCE ON ALL CONTRACTUAL SERVICE AND GRANT AGREEMENTS WHERE THE METHOD OF PAYMENT IS BASED ON THE PROVIDER'S COST INCURRED AND TO PROVIDE CLARIFICATION OF THE FISCAL RECONCILIATION REQUIREMENTS FOR GRANT AGREEMENTS PURSUANT TO SECTION 215.971, FLORIDA STATUTES

All contracts awarded to vendors where the method of payment is based on the vendor's cost incurred (e.g., cost reimbursement or cost plus contracts), each agency will need to maintain the detailed documentation supporting each vendor's cost reimbursement invoices and to make available to the Bureau of Auditing for audit purposes if requested. When agencies submit vouchers for payment, they are certifying that the documentation to support the vendor's costs incurred is on file and has been verified to be valid and accurate prior to approving payment.

All grant funds paid to recipients are typically in the form of either an **advanced payment, fixed price, fixed rate, cost reimbursement, or combination thereof**. Regardless of the payment method, each agency should have policies and procedures to describe how they are validating whether the funds paid to providers are expended appropriately (allowable, reasonable, and relevant). The procedures should contain provisions to sufficiently document the steps of the validation process as well as a provision to maintain source documentation reviewed. All documentation supporting the contract manager's performance of the verification and validation process must be readily available for audit purposes and be provided upon request.

In some instances, recipients and sub-recipients may be too large for a grant manager to review all of the recipient's expenditure documentation on a monthly basis. In these instances, the agency may perform periodic monthly sampling of expenditure documentation and conduct fiscal monitoring of expenditures through site visits, where the documentation is reviewed and conclusions are reached. The agency would need to maintain policies and procedures as to how the conclusions of these site visits are documented in the contract manager's file and how the contract manager relied upon this information as a means of approving payments.

All grant agreements and payments of State and Federal financial assistance are required to comply with section 215.971, Florida Statutes (F.S.), subsection 215.971 (2)(c), F.S., requires grant managers to reconcile and verify all funds received against all funds expended during the grant 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 sub-recipient. Agencies should have policies and procedures that address the agency's final reconciliation report and the supporting documentation obtained from each provider to demonstrate the validity and the appropriateness of the amounts expended during the grant period. State or Federal funds paid to the provider in excess of documented appropriate expenditures must be returned to the state unless otherwise authorized by law.