



CHIEF FINANCIAL OFFICER  
**JEFF ATWATER**  
STATE OF FLORIDA

June 2, 2011

Mr. J. Thomas Cardwell, Commissioner  
Office of Financial Regulation  
200 East Gaines Street  
118 Fletcher Building  
Tallahassee, Florida 32399

Dear Commissioner Cardwell:

We have concluded our review of selected Office of Financial Regulation (OFR) contracts/grant agreements in effect on or after July 1, 2010, and related management activities. Our review focused on compliance with the following statutory requirements:

- Service contracts/grant agreements must contain a clear scope of work.
- Service contracts/grant agreements must contain deliverables that are quantifiable, measurable, verifiable and directly related to the scope of work.
- Service contracts must contain financial consequences for non-performance.
- Contract managers must enforce performance of the contract terms and conditions; review and document all deliverables for which payment is requested by vendors; and provide written certification of the agency's receipt of goods and services.

We reviewed nine service contracts and one grant. Overall, OFR has performed well; however, there are two areas where improvements can be made.

#### **Scope of Work and Deliverables**

Services contracts and grant agreements must contain clear scopes of work, deliverables directly related to the scopes of work, and minimum required levels of services and criteria to successfully evaluate satisfactory performance. This structure is very important for payment processing; without it, OFR 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.

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](mailto:christina.smith@myfloridacfo.com)

AFFIRMATIVE ACTION • EQUAL OPPORTUNITY EMPLOYER

J. Thomas Cardwell, Commissioner

June 2, 2011

Page Two

Our review disclosed that one service contract did not contain deliverables.

Contract #	Vendor	Contract Amount
A2758F	The North Highland Company	\$ 245,000.00

**Contract/Grant Management**

The contract manager must enforce performance of the contract terms and conditions; review and document all deliverables for which payment is requested by vendors; and provide written certification of the agency's receipt of goods and services and ensure all payment requests are certified.

The contract management activity for one service contract was not sufficient, as the contract manager did not document verification that services were delivered satisfactorily prior to approving invoices for payment. Services were approved based on vendor-generated data such as invoices, status reports, and time reports, without documented validation by OFR. The validation process should include reconciling vendor-generated data to data controlled and maintained by OFR.

Contract #	Vendor	Contract Amount
A2758F	The North Highland Company	\$ 245,000.00

Please provide OFR's corrective action plan which addresses how these deficiencies will be corrected for future contracts. This plan should include steps the office will take to provide a system of quality control for contract development and management. Examples of items to include in the action plan are training, periodic management review, and routine feedback to staff that develops and manages contracts and grants. We request that the plan be submitted within 30 days of receipt of this letter.

We provide 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

CS/fe