



CHIEF FINANCIAL OFFICER
JEFF ATWATER
STATE OF FLORIDA

June 2, 2011

Mr. Kevin M. McCarty, Commissioner
Office of Insurance Regulation
200 East Gaines Street
101A Larson Building
Tallahassee, Florida 32399

Dear Commissioner McCarty:

We have concluded our review of selected Office of Insurance Regulation (OIR) service 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 determined that there are several areas where improvements can be made.

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.

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

Kevin M. McCarty, Commissioner

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Contract #	Vendor	Contract Amount
OIR-10-01 A24583	CanDoTech Consulting	\$254,000.00
OIR-10-02 A2456E	Infinity Software Development	\$ 85,000.00
OIR-10-03 A249EA	Information Systems of Florida	\$ 5,400.00
OIR 10-17	Highland Clark, LLC	\$599,404.17
OIR 10-24	ParenteBeard, LLC (aka ParenteRandolph, LLC)	\$662,286.69

We also noted invoices related to two service contracts were approved for payment with rates greater than the amounts allowed by OIR's contract.

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OIR 10-24	ParenteBeard, LLC (aka ParenteRandolph, LLC)	\$662,286.69

Additionally, payments related to three service contracts were missing the required written certification statement by the contract manager that services were satisfactorily received and payment was due prior to submitting the invoices for payment.

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Please provide OIR'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

cc: Stephanie Iliff, Director
Division of Administration