

Ken Lawson, Secretary

Rick Scott, Governor

June 29, 2011

Christina Smith, Director
Division of Accounting and Auditing
Florida Department of Financial Services
200 East Gaines Street
Tallahassee, Florida 32399-0353

Dear Ms. Smith,

Thank you for your letter dated June 2, 2011 to the Department of Business and Professional Regulation regarding the review of service contracts and grant agreements. Per the recommendations in your letter we have composed a Contract and Grant Action Plan for all Department contracts. The enclosed action plan will help ensure that contract and grant agreements with the Department are structured in a way that provides the desired value to the State of Florida while maintaining accountability and transparency. This action plan will be provided to each division's contract manager along with implementing required training.

Please extend my thanks to your staff for their dedicated work on this important project. Feel free to contact Inspector General Stan Branham at (850) 414-6700 if you have any questions or comments regarding this plan.

Sincerely,



Ken Lawson
Secretary
Department of Business and Professional Regulation

Enclosure

RECEIVED

JUN 30 2011

LICENSE EFFICIENTLY. REGULATE FAIRLY.
WWW.MYFLORIDALICENSE.COM

Director's Office
Division of Accounting
and Auditing
Chief Financial Officer

DEPARTMENT OF BUSINESS AND PROFESSIONAL REGULATION
CONTRACT AND GRANT ACTION PLAN
June 30, 2011

The 2011 review of selected Department of Business and Professional Regulation service contracts and grant agreements focused on three functional areas: service contract and grant document requirements regarding scope of work and deliverables; service contract provisions regarding financial consequences; and contract and grant management. This Contract and Grant Action Plan is adopted to address points raised in the review.

Scope of Work and Deliverables

A well developed scope of work should be in sufficient detail to remove most, if not all, questions that might arise about the services being contracted. Tasks to be performed and services to be provided should be clearly established. The scope of work should be directly related to the goals and objectives of any related state program. The scope of work should identify all services the provider is to furnish and include minimum performance standards. Deliverables should be associated with tasks in the scope of work. A deliverable is a clearly defined event that justifies a payment.

Financial Consequences

A fundamental remedy for noncompliance or nonperformance of service agreements is a provision for financial consequences on the part of the provider. Section 287.058(1)(h), Florida Statutes, requires state service contracts to contain provisions for financial consequences when providers fail to meet obligations in service contracts. All department contracts should contain such financial consequence provisions.

Contract and Grant Management

All contracts and grants should be monitored for compliance with the terms and conditions of the agreement. Verification that deliverables have been completed is essential prior to the approval of payment to the provider. Confirmation that goals and objectives are being met should be an essential part of the monitoring process. Close-out procedures should provide for a review of all payments confirming that deliverables were met and documentation is on file to substantiate payments.

Action Steps

I. Contract and Grant Document Review

To help ensure the Department of Business and Professional Regulation executes service contracts and grants in accordance with statutory and Chief Financial Officer requirements, we will revise the department's contract review checklist. This checklist is a tool the Contract Administrator uses to assist in reviewing the sufficiency of terms and conditions specified in service contract and grant documents. The checklist will be revised to provide for the Contract Administrator's review of the following required elements of each service contract or grant:

- A clear and detailed scope of work that identifies all tasks to be performed
- Deliverables that are quantifiable, measureable, verifiable, and directly related to the scope of work
- Minimum required levels of service to be performed
- Criteria to evaluate successful completion of each deliverable
- The criteria, and final date by which such criteria must be met for contract completion
- Documentation the provider must maintain to evidence completion of all tasks specified in the agreement
- For service contracts, the financial consequences the department will apply if the contractor fails to perform in accordance with contract terms

II. Provisions Regarding Financial Consequences in Service Contracts

The department will revise its service contract templates to include a section regarding financial consequences the department will apply should the provider fail to perform in accordance with contract terms and conditions.

III. Contract and Grant Management

The Contract Administrator will conduct periodic reviews of contract and grant files maintained by department contract managers to verify that the files contain all documentation required by the contract or grant agreement. Contract and grant files must also comply with documentation requirements regarding provider invoices; documentation of the contract manager's activities to verify that deliverables received complied with the criteria established in the agreement; and written certification by the contract manager prior to payment processing that contract deliverables were received as specified in the contract. The Contract Administrator will document the results of this review in a report to the contract manager. The report will identify any needed improvements.

Each contract manager will be required to attend training on accountability in contracts and grant management offered by the Department of Financial Services within three months of execution of the contract. Each contract manager will be required to attend such training at least once every two years, thereafter. The Contract Administrator will notify each contract manager of the training requirements and will maintain a record of each contract manager's training attendance.