CHIEF FINANCIAL OFFICER
JEFF ATWATER
STATE OF FLORIDA

August 22, 2013

Mr. Bryan Koon, Director
Division of Emergency Management
2555 Shumard Oak Boulevard
Tallahassee, Florida 32399-2100

Dear Mr. Koon:

The Bureau of Auditing (Bureau) performs audits in accordance with Section 17.03, Florida Statutes (F.S.). This statute relates to the Chief Financial Officer's (CFO) responsibilities to settle the claims of the state using various methods. The Bureau also audits pursuant to the requirements of Section 215.971, F.S., for grant agreements funded with Federal and State monies. Audits on contractual services agreements are audited pursuant to Sections 287.057(14) and 287.058(1), F.S. The CFO also issues memorandums that also provide additional audit requirements.

The Bureau reviews contracts and grants to determine:

- Whether the agreement clearly establishes the tasks to be performed by the provider (has a clearly defined scope of work)
- Whether the agreement defines quantifiable, measurable, and verifiable units of deliverables that must be received and accepted before payment is made
- Whether the agreement specifies the financial consequences that the agency must apply if the provider fails to perform in accordance with the contract
- Whether the manager provided written certification for the receipt of goods and services.

Because many of the deficiencies in agency contract and grant agreements stem from poor contract management and a lack of effective monitoring, the Bureau visits agencies and reviews contracts, along with the contract manager's files. In addition to reviewing the contract document, the Bureau evaluates the contract management function to determine if the agency is monitoring the contractor's performance and validating the actual delivery of goods and services. These audits result in written reports to the agency, with the agency providing a corrective action plan to address any deficiencies noted during the review. To date, 19 reviews have been completed and the results are available on the Bureau website at http://www.myfloridacfo.com/aadir/auditing_activity.htm.

FLORIDA DEPARTMENT OF FINANCIAL SERVICES
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We have concluded our review of selected Florida Division of Emergency Management (Division) agreements in effect on or after January 1, 2012 through December 31, 2012, and related management activities.

Our review focused on compliance with the following statutory requirements:

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

We reviewed 14 service contracts and seven (7) grant agreements. There are several areas where improvements can be made.

Scope of Work and Deliverables

Each service contract and grant agreement must contain a clear scope of work, deliverables directly related to the scopes of work, and minimum required levels of services, criteria to successfully evaluate satisfactory performance, and compensation for each deliverable. This structure is very important for payment processing; without it, the Department 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.

Our review disclosed that the Division had scope of work and/or deliverable issues for 11 agreements. Specifically, we noted the following:

- One (1) service contract and three (3) grant agreements did not contain a scope of work that clearly established the tasks to be performed. For example:

  - The agreements between the Division and Highlands, Palm Beach and Gadsden Counties identified activities eligible for reimbursement of expenditures such as salaries, operating expenditures, fixed capital outlay, etc. However, the agreements did not provide for a minimum level of service.

  - A generalized overview of the project was provided in the scope of work of the AAJ Computer Services agreement; however the tasks to be performed were not included.

The tasks were clearly specified in the Request For Quote (RFQ); however, the RFQ was not incorporated into the agreement by reference.

Contract #	Service Provider	Contract Amt
DEM-13-BG-83-07-038-01-028	HIGHLANDS COUNTY	$105,806
DEM-BG-83-10-60-01-050	PALM BEACH COUNTY	$105,806
DEM-13-BG-83-02-30-01-020	GADSDEN COUNTY	$105,806
DEM-12-PG-7Q-14-00-22-444	AAJ COMPUTER SERVICES	$169,725

- The specific level of service required to be performed and/or criteria to determine successful completion of the deliverables were not specified in five (5) service contracts and six (6) grants. Examples include:

  - The agreement with Northeast Florida Regional Council required the performance of two major tasks with compensation associated with each. One task element appeared to be duplicative, in that both tasks required the provider to plan and conduct regional exercises and/or workshops, creating uncertainty for what activity the Division is approving payment.

  - The agreement with Florida International University determined compensation by identifying expenditures eligible for reimbursement such as salary, administrative expenses, etc. The recipient was not required to perform a specified level of service in order to be compensated. Improvements in future contracts can be made by associating costs incurred to reaching specific milestones.

  - The minimum level of service to be performed for which compensation will be made was not established in the agreements with IMG College Network and Miami Dolphins, Ltd. Compensation is defined under the agreement as fixed monthly payments without regard to the number of advertisements conducted per month. The Division can make improvements by aligning compensation with the percentage of contract completion within a given timeframe.

  - The deliverables for Florida Wing, Civil Air Patrol were ambiguous. Required tasks identified by the scope of work included language such as “necessary training” and being “prepared” as activities to be completed, but failed to include descriptive clarifying language.

- The agreement for Volunteer Florida funded three (3) positions to conduct response and recovery trainings. However, the agreement did not establish the minimum

number of training sessions required to generate payment. Instead payments were based on reimbursement of cost incurred during the quarter. Establishing a minimum level of service to be performed prior to payment reduces the risk of not receiving the services contracted.

Contract #	Service Provider	Contract Amt
DEM-13-DS-91-12-00-22-212	NORTHEAST FLORIDA REGIONAL PLANNING COUNCIL	$343,000
DEM-13-BG-83-07-038-01-028	HIGHLANDS COUNTY	$105,806
DEM-BG-83-10-60-01-050	PALM BEACH COUNTY	$105,806
DEM-12-PG-7Q-14-00-22-444	AAJ COMPUTER SERVICES	$169,725
DEM-12-RC-5S-11-23-22-369	FLORIDA INTERNATIONAL UNIVERSITY	$700,000
DEM-13-PG-AK-14-00-22-208	IMG COLLEGE NETWORK	$125,000
DEM-12-PR-07-12-00-08-231	FLORIDA WING, CIVIL AIR PATROL	$49,500
DEM-13-BG-83-02-30-01-020	GADSDEN COUNTY	$105,806
DEM-12-DD-J8-12-00-08-258	VOLUNTEER FLORIDA	$300,000
DEM-13-PG-AL-14-00-22-251	MIAMI DOLPHINS LTD	$49,650
DEM-12-PG-AL-13-00-22-484	FLORIDA ASSOCIATION OF BROADCASTERS	$250,000

Financial Consequences

Effective July 1, 2010, Section 287.058(1)(h), F.S., requires service contracts to contain provisions for financial consequences an agency must apply if a provider fails to perform in accordance with a contract.

- Fourteen service contracts did not contain financial consequences that meet the requirements of this section. The language in the agreements states that the Division

"may" apply remedies in the event of non performance, when the statute indicates that the agency "must" apply consequences. During the review, the Division stated they were aware of this issue and were in the process of updating their contract boilerplate.

Contract #	Service Provider	Contract Amount
DEM-13-DS-91-12-00-22-212	NORTHEAST FLORIDA REGIONAL PLANNING COUNCIL	$343,000
DEM-12-SP-8D-14-00-22-307	MOLINARI TECHNICAL SOLUTIONS	$599,400
DEM-12-PG-7V-14-00-22-310	BOARD OF TRUSTEES OF ST PETERSBURG COLLEGE	$70,000
DEM-SP-15-14-00-22-321	WATCH HOUSE INTERNATIONAL	$356,559
DEM-12-PG-7Q-14-00-22-444	AAJ COMPUTER SERVICES	$169,725
DEM-11-CP-15-14-00-22-302	BCP INTERNATIONAL (BCPI)	$238,827
DEM-13-PG-AK-14-00-22-208	IMG COLLEGE NETWORK	$125,000
DEM-13-PG-AL-14-00-22-251	MIAMI DOLPHINS LTD	$49,650
DEM-12-PG-AL-13-00-22-484	FLORIDA ASSOCIATION OF BROADCASTERS	$250,000
A4CA87	RADIO DISNEY LLC	$50,000
DEM-12-RC-5S-13-00-22-272	FLORIDA ASSOCIATION OF COUNTIES	$149,949
A58458	21st CENTURY PRODUCTIONS INC	$67,950
DEM-12-NF-7S-14-00-22-202	EMERGENCY VISIONS	$169,000
A67E74	DISASTERS STRATEGIES AND IDEAS GROUP LLC	$207,360

Contract/Grant Management

Contract/Grant 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 Division's receipt of goods and services and ensure all payment requests are certified.

Our review disclosed that the Division had Contract/Grant management issues with 11 agreements. Specifically, we noted the following:

- Section 287.057(14), F.S., requires a written certification of the receipt of goods and services by the contract manager prior to payment. The certification statement

for 21st Century Productions Inc., was not provided for two of three payments approved by the Division.

Contract #	Service Provider	Contract Amount
A58458	21st CENTURY PRODUCTIONS INC	$67,950

- The management activity for four grant agreements and four service contracts was not sufficient, as the Division did not always receive required documentation. Examples include:

  - Compensation under the grant agreement with Highlands County is based on cost reimbursement. The contract management file did not include documentation to validate the expenditures incurred by Highlands County. In addition, we noted the Division approved payment for $1,056 in travel expenses without documentation certified by the traveler, in accordance with Section 112.061, F.S.

  - The Division approved two payments to 21st Century Productions Inc., without written certifications by the contract manager that the services were satisfactorily received. In addition, the Division was not able to provide documentation of reconciling invoices to the price proposal (included as Exhibit B in the contract) prior to payment, resulting in an overpayment of approximately $3,200 for the completion of two deliverables.

  - Compensation under the agreement with BCP International was based on an hourly rate. The contract management file did not include receipt of signed timesheets to support hours billed. In addition, Division approved payment for travel without obtaining signed State of Florida travel vouchers certifying "…the truth and correctness of the claim…" by the traveler, in accordance with Section 112.06, F.S.

Contract #	Service Provider	Contract Amount
DEM-13-BG-83-07-038-01-028	HIGHLANDS COUNTY	$105,806
DEM-11-CP-15-14-00-22-302	BCP INTERNATIONAL (BCPI)	$238,827
DEM-12-RC-5S-11-23-22-369	FLORIDA INTERNATIONAL UNIVERSITY	$700,000
DEM-13-PG-AK-14-00-22-208	IMG COLLEGE NETWORK	$125,000
DEM-12-DD-J8-12-00-08-258	VOLUNTEER FLORIDA	$300,000
DEM-11-HM-70-02-47-22-450	AESIR SOFTWARE INC	$300,300
A58458	21st CENTURY PRODUCTIONS INC	$67,950
DEM-12-NF-7S-14-00-22-202	EMERGENCY VISIONS	$169,000

- The Division did not always adequately document activities to verify deliverables for three grant agreements and six service contracts. For example:

  - The Aesir Software Inc., grant agreement for staff augmentation was paid on an hourly basis. The Division was not able to provide documentation validating hours worked prior to payment.

  - The invoices for Florida Association of Counties were approved for payment although the contractor did not meet the minimum performance requirement. The agreement required the contractor to hold workshops with each workshop hosting "…a minimum of 20 participants…." Six workshops did not meet the minimum participation requirements as established by the contract.

  - The Division approved payments for Emergency Vision prior to documenting the services were satisfactory received. As a result, the Division is at risk of paying for services that were not provided.

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DEM-13-BG-83-07-038-01-028	HIGHLANDS COUNTY	$105,806
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DEM-12-RC-5S-11-23-22-369	FLORIDA INTERNATIONAL UNIVERSITY	$700,000
DEM-13-PG-AK-14-00-22-208	IMG COLLEGE NETWORK	$125,000
DEM-11-HM-70-02-47-22-450	AESIR SOFTWARE INC	$300,300
DEM-12-RC-5S-13-00-22-272	FLORIDA ASSOCIATION OF COUNTIES	$149,949
A58458	21st CENTURY PRODUCTIONS INC	$67,950
DEM-12-NF-7S-14-00-22-202	EMERGENCY VISIONS	$169,000
A67E74	DISASTERS STRATEGIES AND IDEAS GROUP LLC	$207,360

Other - F.S. 216.3475 Cost Analyses

Our review disclosed the Division did not provide documentation verifying completion of the required cost analyses for four grant agreements and four service contracts. Section 216.3475, F.S., requires state agencies to perform a cost analysis on agreements awarded on a noncompetitive basis. Additionally, the agencies are required to maintain records supporting the cost analysis, which include a detailed budget submitted by the entity awarded funding and the agency's documented review of individual cost elements from the submitted budget for allowability, reasonableness, and necessity.

Contract #	Service Provider	Contract Amount
DEM-13-BG-83-07-038-01-028	HIGHLANDS COUNTY	$105,806
DEM-12-PG-7V-14-00-22-310	BOARD OF TRUSTEES OF ST PETERSBURG COLLEGE	$70,000
DEM-BG-83-10-60-01-050	PALM BEACH COUNTY	$105,806
DEM-12-RC-5S-11-23-22-369	FLORIDA INTERNATIONAL UNIVERSITY	$700,000
DEM-13-PG-AK-14-00-22-208	IMG COLLEGE NETWORK	$125,000
DEM-13-BG-83-02-30-01-020	GADSDEN COUNTY	$105,806
A4CA87	RADIO DISNEY LLC	$50,000
DEM-12-NF-7S-14-00-22-202	EMERGENCY VISIONS	$169,000

Please provide the Division's corrective action plan which addresses how these deficiencies will be corrected for future contracts. This plan should include steps the Division will take to provide a system of quality control, including training, periodic management review, and feedback to Divisional staff that develop and manage contracts and grants. We request that the plan be submitted within 30 days of receipt of this letter.

Our office provides Contract Manager Training that would be beneficial to your staff. Additional information on these classes is available at http://www.myfloridacfo.com/Division/AA/Training/default.htm

We appreciate your staff's support and cooperation during the review. Please contract Mark Merry, Chief of the Bureau of Auditing, at 850-413-3074 if you have any questions.

Sincerely,

[redacted]

Christina Smith

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