



FLORIDA DEPARTMENT of

management SERVICES

We serve those who serve Florida

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Rick Scott, Governor

Craig J. Nichols, Agency Secretary

June 23, 2014

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

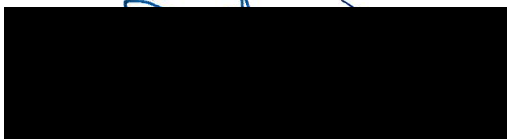
Dear Ms. Smith:

This letter is in response to your letter dated May 21, 2014, outlining the findings from the audit on contractual services agreements, effective on or after July 1, 2012, pursuant to Sections 287.057(14) and 287.058(1), F.S.

We appreciate the opportunity to respond to the areas of improvement outlined in your report. The Department's responses and Corrective Action Plan in response to your audit are detailed in the attached document.

If further information is needed concerning our response, please do not hesitate to contact Walter Sachs at 413-8740.

Sincerely,


Craig J. Nichols
Secretary

CJ:nw

Attachment

cc: Stacy Arias, Deputy Secretary, Business Operations
Darren Brooks, Deputy Secretary, Workforce Operations
Kelley Scott, State Purchasing Director
Ed Peters, Division of Telecommunications Director
Dan Drake, Division of Retirement Director
Walter Sachs, Inspector General
Yolanda Lockett, Audit Director

**DMS – Office of Inspector General
DFS Contract Review**

Finding No. 1: Scope of Work and Deliverables

Our review disclosed that the Department had deliverable issues for two (2) agreements. Compensation for two agreements was not related to the completion of deliverables or achieving specific milestones.

- The agreement between the Department and CDI-Infrastructure was for the design development of a statewide internet-based call routing system for 911 calls. Satisfactory completion of deliverables specified by the agreement was not related to payment. Instead, payment was based on the passage of time.
- Inspired Technologies provided a project manager to develop and track a schedule of deliverables established to migrate communication service plans and devices to the new OASIS system. The agreement does not correlate payment to the satisfactory receipt of deliverables. Payment was strictly based on hours worked.

Contract #	Service Provider	Contract Amount	WP Reference
DMS 10/11-013	CDI-Infrastructure	\$437,292	3-1, Item 6
A74148	Inspired Technologies	\$42,000	3-1, Item 12

Corrective Action Plan:

Departmental Purchasing and Finance and Accounting will work with the Divisions to ensure that deliverables are tracked and paid only upon satisfaction of requirements. In addition, by September 2014, Finance and Accounting will offer Invoicing training and Departmental Purchasing will offer contract management training. These training segments, along with purchasing bulletin updates, will be included in the General Purchasing training to Divisions and should help ensure staff members understand best practices, purchasing requirements and procedures.

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Finding No. 2: 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. Eight (8) agreements did not contain financial consequences for nonperformance/noncompliance:

Contract #	Service Provider	Contract Amount	WP Reference
A67597	Hewitt Associates, LLC	\$225,000	4-1, Item 3
DMS 10/11-013	CDI-Infrastructure	\$437,292	4-1, Item 6
DMS 10/11-033	DSM.Net	\$332,930	4-1, Item 7
A74148	Inspired Technologies	\$42,000	4-1, Item 12
A61673	Law, Redd, Crona & Monroe	\$146,000	4-1, Item 15
A691C0	Paul Consulting	\$76,100	4-1, Item 17
MP003	GovDeals, Inc.	\$85,000	4-1, Item 10
MP001	Tampa Machinery Auction, Inc.	\$520,000	4-1, Item 20

Corrective Action Plan:

Departmental Purchasing has developed contract and purchase order terms and conditions templates containing financial consequences and a placeholder for more specific consequences. Policies and procedures have been updated to incorporate these required documents, where applicable.

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Finding No. 3: Florida Single Audit Act

Chapter 69I-5.006(3), Florida Administrative Code requires the standard audit language contained on Form DFS-A2-CL to be included in the document that establishes the states, recipients or sub recipient's relationship with the non-state entity. The Department did not include this language in the eight (8) E911 Grants.

Contract #	Service Provider	Contract Amount	WP Reference
S5-12-12-07	Glades County	\$80,664	3-1, Item 22
S5-12-12-10	Gadsden County	\$129,425	3-1, Item 23
S5-12-12-09	Columbia County	\$41,732	3-1, Item 24
13-04-28	Gadsden County	\$1,100	3-1, Item 25
13-04-01	Baker County Sheriff Office	\$34,055	3-1, Item 26
13-04-24	Wakulla County	\$25,751	3-1, Item 27
12-10-28	Liberty County	\$1,250	3-1, Item 28
11-04-24	Washington County	\$1,500	3-1, Item 29

Corrective Action Plan:

The following language will be added to all future grant award letters:

"The Florida Single Audit Act was established by the 1981 Legislature in Section 215.97, Florida Statutes, which became effective on July 1, 2000. The Board as an awarding agency and the County as a recipient must comply with the requirements of this Act. Please reference attached Sections 5, 6 and 7 of the Florida Single Audit Act which is also available at the following website address: <https://apps.fldfs.com/fsaa/statutes.aspx>."

"Acceptance of the enclosed warrant signifies your acceptance of the requirement to comply with the Florida Single Audit Act and the conditions and procedures in the grant application."

In addition to adding new language to all grant award letters, the Department references Section 215.97 Florida Statutes.

DMS Finance and Accounting will require that the language be included on the payment request and the award letter submitted to the counties before the funds are expended to the counties.

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Finding No. 4: Contract/Grant Management

The Department entered into a new agreement with Accenture for services related to the MyFlorida MarketPlace (MFMP) application. The agreement provided for a transition period to implement newly established services. The Department was unable to provide documentation that services were independently verified after the expiration of the transition period before approving the monthly payment of \$927,133.

Corrective Action Plan:

The Department disagrees with this finding. Both during and after the transition period to the new MFMP Service Provider, contract (DMS 11/12-030), DMS' contract and project management team conduct daily monitoring of the system availability and performance. Such monitoring includes working within and using the MFMP system daily and working onsite with the vendor, in a separated space, four out of five days a week to ensure that required services were provided pursuant to the contract. Because of this daily and constant monitoring, DMS independently verifies system performance every day. At any time the MFMP system is not working as it should, DMS is immediately aware through system generated emails and separately notified by the vendor. DMS then documents any failure and the cause of the problem.

In addition to regular use of the system, both during the transition period and continuing after the transition period, DMS conducted the following contract monitoring activities on an ongoing basis to verify vendor and system performance prior to approving any monthly payments (previously \$927,133.33). The monitoring activities include the following:

- Ensure that the MFMP Customer Service Desk representatives are answering emails and phone calls by submitting tickets by both phone and email (logs of tickets submitted were previously provided), reviewing the ticket queue that is projected on the wall multiple times daily (per the Helpdesk Management section of the contract), conducting monthly Quality Assurance reviews of helpdesk tickets for agency customers, vendors and eQuote tickets (calendar invites are available for documentation) and reviewing the daily customer satisfaction survey that is sent to both agencies and vendors when a ticket is closed.
- Ensure that catalogs are enabled (documented through emails, attendance at in-person meetings and conducting testing of new catalogs within the lower testing environment).
- Ensure that System Investigation Requests (SIRs) defects are documented and resolved (documented by reviewing the bi-weekly SIR list, participating in bi-weekly in-person meetings and periodically participating in resolution and testing efforts).
- Ensure that agency customers are supported (documented through DMS customer outreach in emails and meetings where meeting minutes are available
- DMS team members conduct the following operational meetings to ensure contract requirements are being met (documented through meeting notes and agendas):
 - MFMP Operations Meeting
 - Project Management Meeting
 - Vendor Meeting
 - Sourcing Meeting

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- Catalog Meeting
 - Billing and Collections Meeting
- DMS team members personally attend and participate in the following customer meetings to ensure that system users are satisfied and contractual requirements are being met (documented through presentations and meeting minutes posted on the DMS website):
 - Customer Roundtable (Open to all agency liaisons, held quarterly)
 - Change Review Board (Open to Change Review Board members at various agencies, held quarterly)
 - eQuote Focus Group (Open to agency customers, held bi-monthly)
 - Catalog Focus Group (Open to agency customers, held periodically)
 - Liaison Meetings (Held with specific agency customers, held periodically)
- DMS independently verifies transaction fees received through daily reports generated by DMS Finance and Accounting, who receives and cashes the money, and monthly Trust Fund reports from the DMS Budget Office.
- DMS independently reviews and tracks all contractually required deliverables that are provided via email to the DMS team (examples were previously provided to the DFS Audit team).
- DMS receives automated, system-generated outage notifications if there are problems with the MFMP applications. DMS previously provided an example to DFS auditors.
- DMS meets with the vendor monthly to review all payments that failed in our Payment Reconciliation meeting between the DMS Buyer Lead and Accenture Production Support.
- DMS reviews and approves all implementations of ad-hoc report requests (SLE-016), operational data updates (SLE-015) and workflow updates (SLE-023).
- DMS receives the bi-monthly release plan including all SIRs and enhancements being made to the MFMP systems via email and independently approves both the maintenance window and the migration request.
- DMS has independent access to the Pivotal tracking tool where all customer service desk tickets, SIRs, change requests, payment failures, PO failures, operational data updates, report requests, workflow updates, etc. are stored. DMS independently verifies tickets and SIR information periodically. Additionally, the DMS team participates in the ticketing process by handling escalated tickets through Pivotal.
- DMS Program Manager has independent, direct access to the HP BAC tool where system response time is monitored. Business Availability Center (BAC) runs automated scripts simulating a user creating a requisition, approving an invoice, etc. In addition to the access to the BAC system, DMS houses a computer that runs a BAC scripting tool within the 4050 building.

In addition to the above activities which were and continue to be in place prior to the DFS audit, DMS has begun documenting its daily verification of MFMP system availability via an email confirmation to the primary DMS contract manager.

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Finding No. 5: Contract/Grant Management-continued

The Department did not adhere to the agreement's payment terms for Hewitt Associates, LLC. Payment was to be made at the completion of milestones and was determined by applying an hourly rate to hours actually worked that was further limited by a not-to-exceed amount. According to the second invoice the cost of hours worked for the third milestone was \$44,068; however, the Department paid the contractor the not-to-exceed price of \$67,500. The Department overpaid the contractor by \$23,432.

In addition, the invoices submitted by the contractor and approved for payment by the Department included hours worked but did not include the tasks completed in achievement of the milestones.

Corrective Action Plan:

The Department disagrees with this finding based on the fact that the vendor was not overpaid for the overall completed project. At the time of the payment, the vendor had worked the hours that were paid. However, the Department agrees that the hours paid did not match the project percentages. Therefore, Departmental Purchasing and Finance and Accounting will work with the Divisions to ensure that deliverables are tracked during the life of a project and paid only upon satisfaction of requirements. In addition, by September 2014, Finance and Accounting will offer Invoicing training and Departmental Purchasing will offer contract management training. These training segments, along with purchasing bulletin updates, will be included in the General Purchasing training to Divisions and should help ensure staff members understand best practices, purchasing requirements and procedures.

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Finding No. 6: Contract/Grant Management-continued

The Department entered into an agreement with Milliman, Inc. to perform special studies upon request. A Memorandum of Agreement between the Department and Milliman was to be executed prior to performance of the study. The Department was unable to provide executed Memorandums of Agreement as required by the agreement. Instead, the Department provided a copy of Milliman, Inc.'s cost proposal along with the State Legislative Office's approval to enter into the agreement at the proposed price.

In addition, the Department was unable to provide documentation to support reconciliations were performed prior to payment. The Department logged the tasks assigned to the contractor, but was unable to provide documentation that the invoice was reconciled to the log. At the time of the review, a total amount of \$118,318 had been paid to the contractor.

Corrective Action Plan:

The Department will execute a clarifying amendment stating that a formal memorandum of agreement will not be required in the future. The contract amendment will specify that special studies' cost and deliverables will be specified in a confirming letter from Milliman and may be approved informally via email. In addition, the reconciliation process for this contract has been expanded since the execution of the Contract detailing work requests from the Department to hours worked. The Department is further expanding the reconciliation to tie the hours of work performed by person to the department requests.

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Finding No. 7: Contract/Grant Management-continued

The Department paid for services not specified in the alternate source contract with Tampa Machinery Auction, Inc. The contractor provided to the Department additional services such as Title Fees, Decal Removal, and Battery Fees totaling \$972.

Contract #	Service Provider	Contract Amount	WP Reference
DMS 11/12-030	Accenture	\$37,644,200	4-1, Item 1
A67597	Hewitt Associates	\$225,000	4-1, Item 3
DMS 10/11-015	Milliman	\$3,750,000	4-1, Item 16
MP001	Tampa Machinery Auction, Inc.	\$520,000	4-1, Item 20

Correction Action Plan:

On January 28, 2014, the Department executed Contract Amendment # 1 to clarify the Parties' intent that these incidental charges are covered.

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Finding No. 8: Contract/Grant Management-continued

The Department did not provide the statutory authority allowing advance payment in full for the eight (8) E911 Grants. Absent specific statutory authority, section 216.181(16)(b), F.S. allows for the advancement of the first 3-month of expected cash needs. Advance of funds beyond the 3-month requirement is contingent upon the approval of the CFO upon consultation with the legislative appropriation committee.

Contract #	Service Provider	Contract Amount	WP Reference
S5-12-12-07	Glades County	\$80,664	3-1, Item 22
S5-12-12-10	Gadsden County	\$129,425	3-1, Item 23
S5-12-12-09	Columbia County	\$41,732	3-1, Item 24
13-04-28	Gadsden County	\$1,100	3-1, Item 25
13-04-01	Baker County Sheriff Office	\$34,055	3-1, Item 26
13-04-24	Wakulla County	\$25,751	3-1, Item 27
12-10-28	Liberty County	\$1,250	3-1, Item 28
11-04-24	Washington County	\$1,500	3-1, Item 29

Correction Action Plan:

DMS has made the following changes to the State and Rural County grant programs:

- Effective with the 2013 State Grant period, the Florida E911 Board no longer distributes funds with the initial award letter. The following statement has been added to each grant award letter: "The Department of Management Services, Bureau of Public Safety, will process a request for payment on a State grant only after receiving a copy of the actual invoice with the county's request for payment. Additionally, the county must certify the completion of the grant items included in the actual invoice."
- Effective with the Spring 2014 Rural County grant program, the Department will request approval from the Department of Financial Services for the advance payment of grants awarded to rural counties under this program. No advance payment will be processed from any rural county grant award without prior DFS approval.

DMS Finance and Accounting will obtain approval from the CFO for all future advance payments of the E911 Grants.

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Finding No. 9: Contract/Grant Management-continued

Section 287.058(1) & (2), F.S., requires all contractual service agreements to be in a written agreement or purchase order prior to the rendering of any contractual service over the Category Two threshold. The Department allowed the contractor to begin services prior to the transmittal of the purchase order for one agreement. This purchase order was procured using State Term Contract 973-561-10-1, which states the contractor shall not deliver or furnish services until the transmittal of a purchase order. A total amount of \$3,935 was paid to the contractor prior to the transmittal of the purchase order.

Contract #	Service Provider	Contract Amount	WP Reference
A60CA8	Tybrin Corp	\$690,809	4-1, Item 21

Corrective Action Plan:

The Division will work with Departmental Purchasing to ensure that purchase orders are approved prior to service begin date. In addition, by September 2014, Departmental Purchasing will offer General Purchasing training to Divisions to ensure staff members understand best practices, purchasing requirements and procedures.