

May 11, 2012

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BUREAU OF AUDITING

Mr. Mark Merry  
Bureau Chief  
Florida Department of Financial Services  
200 East Gaines Street  
Tallahassee, FL 32399

**RE: DHSMV Response and Corrective Action Plan to DFS Audit**

Dear Mr. Merry:

Thank you for the opportunity to respond to the preliminary and tentative findings and recommendations from your recent audit. Listed below please find the Department's response in accordance with Section 11.45(4)(d), Florida Statutes.

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

Service Contracts and grant agreements must contain clear scopes 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.

**Finding:** The deliverables in the one grant we reviewed did not require a minimum level of service or contain sufficient criteria to measure the performance of the provider. The grant required advertising on billboards without specifying the number or size of the billboards or the length of time the advertisements were to be displayed. The grant also required promotional events and special events without any criteria for evaluating the success of the events.

**Response:** We concur with this finding. The Bureau of Purchasing and Contracts will ensure future contracts and grants contain minimum levels of service and sufficient criteria to measure performance and evaluate contract objectives are met.

**Finding:** The deliverables in five staff augmentation contracts did not require a minimum level of service or contain sufficient criteria to measure the performance of the provider. The contract has no milestones to mark

successful completion of deliverables or successful completion of the project. Three contracts include "mentoring staff" in the purpose of the contract; however the deliverables do not even require mentoring to be performed.

**Response: We concur with this finding. The Department utilizes State Term Contract # 973-561-10-1 to procure staff augmentation; however, we will ensure that sufficient criteria, milestones, and deliverables are added when utilizing state term contracts. To ensure contract managers are aware of their responsibilities, the Department has coordinated efforts to ensure that Contract Managers attend the mandatory DFS Contract Management Training and the Department is creating an online training to help reinforce best practices for Contract Management.**

## **Financial Consequences**

Effective July 1, 2010, Section 287.058(1)(h), Florida Statutes (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.

Finding: Twelve service contracts did not contain language providing for financial consequences. The language in the state term contracts, referenced by the agency for these contracts, uses the wording "may, at its option", where the statute uses the wording "must apply".

**Response: We concur with this finding. The Department utilizes language referenced in mandatory State Term Contracts to fulfill the referenced financial consequences, however, the wording will be changed from "may, at its option" to "must apply" when referencing mandatory financial consequences in the Department's service contracts.**

## **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 Department's receipt of goods and services and ensure all payment requests are certified.

Finding: 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 contract managers were not certifying receipt of deliverables for one grant agreement and two service contracts.

**Response: We concur with this finding. The Department has coordinated efforts to ensure that Contract Managers attend the mandatory DFS Contract Management Training. Additionally, the Department is creating an online training to ensure contract managers understand that they must provide a written certification of the receipt of goods, prior to payments being processed. Additionally, the Bureau of Accounting will monitor for the certification prior to processing payments.**

Finding: The certification statement for fourteen service contracts is being signed by someone other than the contract manager. Without a certification from the contract manager, it is not clear that the employee making the statement has direct knowledge of successful completion of the deliverables.

**Response: We concur with this finding. The Department will ensure that the contract manager either directly certifies successful completion of deliverables in MyFloridaMarketPlace or a written certification statement from the contract manager will be attached to the PO based invoice. This will ensure that there is a direct certification proving the successful completion of the deliverables.**

Finding: Our review disclosed that the contract/grant management activity was not sufficient as the contract/grant managers did not always document verification that the services were satisfactorily delivered. The contract files for five staff augmentation contracts did not contain evidence of weekly status reports from the provider as required by the deliverables in the contract.

**Response: We concur with this finding. To ensure contract managers are aware of their responsibilities, the Department has coordinated efforts to ensure that Contract Managers attend the mandatory DFS Contract Management Training and the Department is creating an online training to help reinforce best practices for Contract Management. Additionally, Contract Manager files will be randomly selected for review to ensure the contract manager is documenting verification that services and deliverables were provided as required.**

Finding: Payments for one agreement were approved for billboards and promotional items without verifying the content supported the contract objective. In addition, travel expenses were approved that were not in compliance with Section 112.061, F.S. For example, expenses for meals were approved at a higher rate than allowed and the required state travel voucher was not used.

**Response: We concur with this finding. To ensure contract managers are aware of their responsibilities and are approving payments correctly, the Department has coordinated efforts to ensure that Contract Managers attend the mandatory DFS Contract Management Training and the Department is creating an online training to help reinforce best practices for Contract Management. Additionally, Contract Managers files will be randomly selected for review to ensure the contract manager is ensuring contract objectives are being met and expenses are in compliance with contract and statutory requirements prior to approving payments.**

We appreciate the professionalism displayed by your audit staff. If you have any questions regarding our response, please contact me.

Sincerely,



Deana Metcalf  
Director, Administrative Services

cc: Julie Jones, Executive Director  
Stacy Arias, Chief of Staff  
Diana Vaughn, Deputy Executive Director  
Julie Leftheris, Inspector General  
Charles Culp, Deputy Director of Administrative Services