



FLORIDA DEPARTMENT OF EDUCATION

Office of Inspector General



March 2012

Report No. A-11/12-15

Enterprise Contract Monitoring Audit: Florida Department of Education

Overview

The Office of Inspector General (OIG) participated in an enterprise contract monitoring audit coordinated by the Governor's Chief Inspector General to provide an overall assessment of contract monitoring procedures in state agencies based on a defined scope of work.

This report examines the Department of Education's (Department's) written policies and procedures and training related to contract monitoring. Overall, written policies and procedures are compliant and the Department offers adequate training. We also identified several noteworthy practices. However, the Department could benefit from stronger written closeout policies and procedures.

We recommend the Department further develop detailed closeout procedures for the Department's *Contract Management & Accountability Workshop Training Manual & Handbook* and related policies and procedures.

Background

Fifteen Florida state agencies participated in this project, for which the Enterprise team created a contract manager survey and various checklists to evaluate written policies and procedures. The checklists addressed topics such as contract templates, invoicing and payment, and closeout procedures. The audit focused on the evaluation of written policies and procedures, and as such, did not include a review of executed contracts.

The Department processed 309 contracts and 56 small agreements, totaling approximately \$150

million for the 2011-12 contract year, according to the Bureau of Contracts, Grants and Procurement Management Services.

Survey Results

Contract management survey results were highly positive with more than 90% of respondents agreeing with statements that:

- The Department provided guidance on how to manage contracts/agreements;
- Adequate resources were available to perform fiscal monitoring and performance oversight; and
- Contracts/agreements are monitored to ensure acceptable performance of work, and appropriate expenditures.

The Department should give additional attention to the Administrative Support Services "docushare" internet site and how suggestions can be made regarding contract management improvements. Forty percent of respondents were not aware of the docushare site and 51% were not sure how to make improvement suggestions. Also, the Department should consider Invitation to Negotiate specific training, as recommended in the survey comments (Question 15). Additional survey results are available in Appendix A.

Noteworthy Practices

- The Bureau of Contracts, Grants and Procurement Management Services offers training to Department contract/grant managers. The Contract Management and Accountability Workshop is optional, but strongly encouraged. The Department of

Financial Services also offers training for accountability in contracts and grants management.

- Department contract templates include detailed description of performance duties, financial consequences for non-compliance, and Right to Audit clauses.

Area for Improvement

Contract closeout policies and procedures should be strengthened.

Current Department policies and procedures do not clearly define contract closeout procedures, as detailed in the *State of Florida Contract and Grant User Guide (Contract and Grant Guide)* published by the Department of Financial Services. For example, the *Contract and Grant Guide* includes the assessment and recovery of liquidated damages/sanctions for non-performance/non-compliance at the close of a contract. Non-performance issues are included on the Department's Monitoring Activities Checklist; however, assessment and recovery of liquidated damages are not addressed in the closeout procedures. Stronger controls, such as detailed closeout procedures, are needed to define the final contract determinations that should be made and by whom. Unclear guidelines and roles may lead to items being overlooked and therefore not recovered by the Department.

We recommend Department management revise the *Contract Management & Accountability Workshop Training Manual & Handbook* and related policies and procedures to define appropriate roles and duties detailed in chapter 8 of the *Contract & Grant Guide*. Examples of items to be included:

- Assessing liquidated damages/sanctions for non-performance/non-compliance;
- Recovering amounts assessed as liquidated damages/sanctions for non-performance/non-compliance;
- Returning to the State non-expendable property; and

- Recovering advances and/or interest earned on advances (or applying to the remaining balance).

Objectives and Scope

The objectives of this audit were to: 1) determine if contract monitoring policies and procedures are in compliance with state laws, rules, and other regulatory requirements; 2) assess the adequacy of contract manager training and development; and 3) identify potential best practices by evaluating contract monitoring processes.

The scope included the Department's current policies, procedures, processes, and other reference guides for monitoring contract agreements for services.

Methodology

Current Department policies and procedures and the *Contract Management & Accountability Workshop Training Manual & Handbook* were reviewed for compliance. Also, the auditor attended the *2011 Contract Management and Accountability Workshop* hosted by the Bureau of Contracts, Grants and Procurement and Management Services.

This audit was conducted in accordance with *The International Standards for the Professional Practice of Internal Auditing*, published by the Institute of Internal Auditors. The audit team achieved these standards by:

- Researching applicable statutes, rules, and policies and procedures.
- Completing contract monitoring related checklists created by the Enterprise team.
- Reviewing survey results of Department contract managers.
- Interviewing Bureau of Contracts, Grants and Procurement staff.

The Office of the Inspector General would like to acknowledge the Bureau of Contracts, Grants and Procurement Management Services staff for their assistance during the course of this audit. Our fieldwork was facilitated by their cooperation and assistance.

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Management Response

Area for Improvement:

Contract closeout policies and procedures should be strengthened.

Recommendation:

Department management [should] revise the *Contract Management & Accountability Workshop Training Manual & Handbook* and related policies and procedures to define appropriate roles and duties detailed in chapter 8 of the *Contract & Grant Guide*.

Management Response:

The Department appreciates the general finding that, “Overall, written policies and procedures are compliant and the Department offers adequate training.” The identification of noteworthy practices in the report is also helpful. With respect to the recommendation, it should be noted that the implementation of these policies and procedures is a shared responsibility among several different offices and is not the sole purview of the contract manager. Senior Department managers, along with staff in the Comptroller’s Office, and the Bureau of Contracts, Grants, and Procurement, work collaboratively with the Office of the General Counsel and as appropriate, the Department of Financial Services, with regard to all of the actions noted. Therefore, while providing additional information and training to individual contract managers is worthwhile and will enhance implementation of existing policies and procedures, we are not aware of any instance in which proper close-out procedures have not been implemented.

In response to the recommendation, the Department (Bureau of Contracts, Grants, and Procurement Management Services) will update the referenced documents to elaborate more fully on the areas of:

- Assessing liquidated damages/sanctions for non-performance/non-compliance;
- Recovering amounts assessed as liquidated damages/sanctions;
- Return of non-expendable State property; and
- Recovering advances and/or interest earned on advanced recovered or applied against what is owed, as recommended.

Updates to the training manual and handbook will be completed by March 30, 2012. Revisions to the Internal Policies and Procedures will be submitted for consideration through the internal review process by April 30, 2012.