

STATE OF FLORIDA CONTRACT AND GRANT USER GUIDE



Department of Financial Services
Division of Accounting & Auditing

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INTRODUCTION

Overview	This user guide is designed to provide guidance related to key elements of contract and grant management to state agencies and providers. Implementation of these guidelines will help facilitate programmatic and fiscal accountability. These guidelines apply to all forms of agreements, e.g. contract, grant, purchase order, memorandum of understanding, etc.
Topics	The key elements that this guide focuses on include: ✓ Planning ✓ Procurement ✓ Development of Agreements ✓ Maintaining Files ✓ Monitoring Requirements ✓ Corrective Action ✓ Payment Verification ✓ Closeout
Guide Only	Please note that this guide is not designed to relieve the state agencies and providers of their responsibility to ensure compliance with laws, rules, and regulations related to their specific programs and funding sources. Provided at the end of this manual are the web addresses for key documents referred to in this manual.

CHAPTER 1

PLANNING

Purpose	Successful planning begins by knowing where you want to end up. The purpose of planning is to identify and determine what steps are needed in order to achieve your goals and objectives.
Description	The key steps in planning include: 1. Review programmatic and fiscal information from prior agreements; 2. Identify the source of funds; 3. Determine vendor vs. recipient/subrecipient; 4. Determine agreement type (method of payment); Documentation should be maintained to evidence the planning process.
Review Programmatic and Fiscal Information	The first step in planning is to review the programmatic and fiscal documentation from prior agreements. The purpose of this review is to identify what worked and did not work in the past. The results of this review will determine what programmatic and fiscal adjustments are needed to make the new agreement successful. Examples of issues to be addressed in the review include analyzing whether: ☐ All required tasks and services were completed in accordance with the agreement; ☐ Program objectives were met; ☐ There was a proper accounting of all funds expended under the agreement; ☐ Expenditures were in accordance with the laws, rules, and regulations governing the specific program and funding source; ☐ The level of service provided supported the amount paid under the agreement (price/cost analysis).

CHAPTER 1

PLANNING, Continued

Identify the source of funds	The next step in planning is to identify the source of funds for the agreement. Each funding source may have different restrictions. Identification of the source of funds is necessary to determine the specific laws, rules, and regulations that apply and must be included in the agreement. This information is important. Both the state agency and provider need to fully understand which activities and costs are allowable and which are prohibited.
Determine Vendor vs. Recipient/Subrecipient	If state and federal financial assistance is identified, a recipient/subrecipient versus vendor determination will need to be made. The correct determination is essential due to the additional accountability requirements that are placed on recipients and subrecipients. These accountability requirements must be included in any agreement. Resources to assist with the step include: ✓ Federal Financial Assistance– Criteria for subrecipient and vendor determination is located in Office of Management and Budget (OMB) Circular A-133, Section .210 (see Reference section). Documentation must be maintained to support this determination. ✓ State Financial Assistance– The recipient/subrecipient vs. vendor determination is made using the Florida Single Audit Act Checklist for Non-State Organizations-Recipient/Subrecipient vs. Vendor Determination (see Reference section).

CHAPTER 1

PLANNING, Continued

Determine Agreement Type

The final step in planning is to determine which type of agreement (method of payment) best ensures the delivery of services and provides the best value to the State. Each agreement type has its advantages and disadvantages.

- ☐ **Fixed Price*** (1/12th, quarterly, etc)
 - Creates an even cash flow for the provider; however, requires minimum performance standards.
 - Should be used only if competitively procured and/or if historical costs are available to provide a basis for the fixed price.
- ☐ **Fixed Rate*** (hourly, per client, etc.)
 - Tends to provide greatest incentive for performance as payment is triggered by performance.
 - Should be used only if competitively procured and/or if historical costs are available to provide a basis for the fixed rate.
- ☐ **Cost Reimbursement** – Provider is reimbursed for allowable and budgeted expenditures that are directly related to the project.
 - Requires minimum performance standards;
 - Requires more fiscal monitoring due to the review of expenditures submitted for reimbursement.
- ☐ **Combination*** – Combination of two or more of the methods listed above.

NOTE (*): For agreements with recipients or subrecipients, the method of payment is merely a means of disbursing funds to the provider; the expenditures will still have to be documented and allowable. Any unobligated funds that have been advanced or paid that are not authorized to be retained for direct program costs in a subsequent period must be refunded to the State.

CHAPTER 2

PROCUREMENT

Purpose	The purpose of the procurement process is to ensure a fair and reasonable price is paid for the services provided.
Description	There are two approaches to procure an agreement: ➤ Competitive Procurement ➤ Non-Competitive Procurement Procurement is normally accomplished through the competitive procurement process. When there is not an open market to provide the service, a cost analysis is needed to support the determination of what is a fair and reasonable price.
Competitive Procurement	Section 287.057, Florida Statutes, and Department of Management Services (DMS) Rule 60A-1, Florida Administrative Code, provides the three competitive procurement methods. DMS has developed criteria to suggest when each method should be used. 1. <i>Invitation to Bid (ITB)</i> – Used when the agency knows exactly what it wants. Price is the determining factor in the award. Example: The agency wants three red wooden widgets measuring 10" x 10". 2. <i>Request for Proposal (RFP)</i> – Used when the agency has a general idea of what it wants. Services <u>and</u> price are evaluated. Example: The agency only knows it wants widgets, but is not sure how many, what color, what material or size will best suit their needs. 3. <i>Invitation to Negotiate (ITN)</i> – Used when the agency knows the end result, but is not sure how to get there; or, there are many ways to get to the end result; or, the qualifications of the provider and quality is more important than price. Works best when highly technical and/or complex services are being acquired. The price is negotiated. Example: The agency wants a widget inventory management system. The agency does not have the expertise to design and develop the system.

CHAPTER 2

PROCUREMENT, Continued

Non-Competitive Procurement	Non-competitive procurements include emergency procurements, sole-source procurements, and exempt service procurements as identified in Section 287.057 (5)(f), F.S. <u>Cost Analysis</u> Section 216.3475, F.S., states that a person or entity that is awarded funding on a non-competitive basis may not be paid more than the competitive market rate. Absent a competitive procurement, a cost analysis is required to ensure a fair price and compliance with Section 216.3475, F.S. This would require any interested provider to submit a detailed budget supporting the proposed price to the state agency. The agency would then conduct the cost analysis by reviewing each cost element that makes up the proposed price to determine whether a cost is allowable, reasonable, and necessary. It is essential for the agency to know and understand which laws, rules, and regulations apply to the program to perform a meaningful cost analysis. Attorney General Opinion #078-101 states an agency must have expressed or implied statutory authority to expend state funds. Therefore, an agency cannot delegate to a provider an authority the agency does not possess. If an expenditure is unallowable for an agency, it is generally unallowable for the provider. The determination is accomplished by applying applicable laws, rules, and regulations to each proposed cost. The proposed price is then adjusted based on those costs identified as unallowable, unreasonable, or unnecessary.
Laws, Rules and Regulations for Funds	Listed below are a few of the laws, rules, and regulations that apply to state and federal funds. <u>State Funds</u> ➤ Section 215.97, Florida Statutes ➤ Project CSFA # (Catalog of State Financial Assistance) ➤ Compliance Supplement ➤ Department of Financial Services - Reference Guide for State Expenditures ➤ Any applicable Florida Administrative Code ➤ State agency rules, policies, etc. ➤ Chief Financial Officer Memorandum (CFOM) #4 (2005-06)

CHAPTER 2

PROCUREMENT, Continued

Laws, Rules and Regulations for Funds (Continued)	<u>Federal Funds</u> ➤ Project CFDA # (Catalog of Federal Domestic Assistance) ➤ Referenced Code of Federal Regulations (CFRs) ➤ OMB Circulars: ➤ A-110 - General Admin. Requirements ➤ A-133 - Federal Single Audit ➤ A-122 - Cost Principles for Not-for-Profits ➤ A-87 - Cost Principles for State & Local Government ➤ A-21 - Cost Principles for Educational Institutions ➤ Department of Financial Services - Reference Guide for State Expenditures ➤ Chief Financial Officer Memorandum (CFOM) #4 (2005-06) NOTE: Where there is difference between federal and state expenditure rules, the more restrictive of the two rules apply.
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CHAPTER 3

AGREEMENTS

Purpose	A clear and comprehensive agreement provides the legal basis for enforcing the agreement and has a direct effect on the payment and monitoring process. Issuing a clear and complete agreement is critical. The success of a project can be directly affected by the quality of the agreement.
Description	Contractual service agreements, regardless of the funding source, should be in compliance with: ➤ Florida Statutes, Sections 215.422, 216.347, 216.3475, 287.058, and 287.133; ➤ Rule 60A-1.017, Florida Administrative Code. All agreements should identify: 1. All tasks the provider is to perform (scope of work); 2. The events that trigger payment (deliverables); 3. The required level of services (performance standards); and 4. Remedies for non-performance. The following pages provide general requirements that should be included in agreements. Additionally, you will find guidance on writing a scope of work and deliverables. Also included are some best practices related to report requirements and file maintenance.

CHAPTER 3

AGREEMENTS, Continued

All agreements should contain the following:

- ☐ All terms and conditions necessary to govern the relationship between the agency and the provider. These terms and conditions provide the legal basis for enforcing the agreement.
- ☐ A specific and clearly defined scope of work that identifies all tasks the provider is to perform and should include specific instructions on how these tasks are to be accomplished if necessary.
- ☐ Specific deliverables (quantifiable, measurable and directly related to the scope of work). Each task identified in the scope of work should be tied to a deliverable. Remember, deliverables are the events that trigger payment.
- ☐ Specific language that makes all records available for inspection.
- ☐ Specific remedies for noncompliance/nonperformance of required services. Remedies should be identified for each area of noncompliance/nonperformance.
- ☐ Specific steps for pro-rating invoice amounts if minimum performance standards are not met. Remember, cost reimbursement and fixed price agreements should include minimum performance standards that ensure an adequate level of services are provided.
- ☐ Sub-contracting/sub-granting terms, if applicable
 - o The provider should be required to use a competitive procurement method or provide a detailed cost analysis for services obtained from subs.
 - o If the state agency's agreement is a cost reimbursement agreement, any sub-contract should also be a cost reimbursement agreement.
- ☐ The timing, nature, and substance of all reports the provider is required to prepare.

NOTE: Reports are a means of conveying information regarding the actual service delivered and are usually not a deliverable or the event that triggers payment.

- ☐ A provision for the disposition of property purchased with state funds. If the agreement is for contractual services and the property has a useful life greater than one year and costs \$1,000 or more, it should be returned to the State upon agreement termination.
- ☐ Payment terms (e.g., frequency of payments, method of payment and required documentation).

CHAPTER 3

AGREEMENTS, Continued

Additionally, agreements with recipients/subrecipients should require:

- ☐ Recipients & sub-recipients to maintain both cost and programmatic records for at least five years and allow the agency access to the records.
- ☐ Recipients & sub-recipients to have an adequate cost accounting system or require the provider to maintain a separate bank account. Each state and federal financial assistance funding source should be tracked separately by funding source and agreement.
- ☐ The submission of a financial status report (summary of activity and costs) submitted prior to the final payment for recipients & sub-recipients.
- ☐ Disposition of non-expendable property acquired with state or federal financial assistance in accordance with applicable rules and regulations.
- ☐ The return of all unused funds for agreements with recipients and sub-recipients unless specifically authorized by federal awarding requirements or the State to retain these funds for the direct provision of program services in the next contract/agreement period.
- ☐ All costs are reasonable, allowable, allocable and documented, and require repayment for all disallowed costs for recipients & sub-recipients.
- ☐ Agreements with recipients must contain the standard audit language (including the Exhibit 1) regarding federal and state financial assistance that is located on Florida Single Audit Act web site, <https://apps.fldfs.com/fsaa/>. This language is necessary to clearly to notify the Provider that they are a recipient/subrecipient of state and/or federal financial assistance and are subject to the compliance requirements of state and/or federal award.
- ☐ The provider to monitor the sub and clearly state the state agency's expectations for the provider's monitoring process.

CHAPTER 3

AGREEMENTS, Continued

Scope of Work	The scope of work identifies all tasks the provider is to perform and should include instructions on how these tasks are to be accomplished. A properly developed scope of work should remove most, if not all, questions that might arise about the services being contracted. When developing the scope of work, a state agency should give careful consideration to the fact that the delivery of all tasks/services will need to be verified during the monitoring process. A poor scope of work makes monitoring very difficult. Providers should give careful consideration to the documentation needed to adequately support the delivery of services. All scope of works should: ✓ Clearly establish <u>all</u> tasks/services that the provider is required to perform. A vague scope of work does not let the provider know what it needs to do and accomplish. ✓ Be specific and detail the direction regarding the delivery of services and the documentation required to support the delivery of services. ✓ Be directly related to the goals and objectives of the program. If goals and objectives are not directly related to the program, then the mission of the agency or program will not be achieved. ✓ Include: - o All of the products/supplies the provider is to furnish. - o Minimum performance standards such as staffing levels, minimum qualifications for staff, number of clients served, etc.
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CHAPTER 3

AGREEMENTS, Continued

Scope of Work, Continued

A vague scope of work will create confusion for both the provider and state agency. For example, if the scope of work for a social service program agreement does not clearly state which services the provider is to perform, the provider is left to determine what services it will provide. This could result in the agency's mission not being fulfilled as well as unallowable activities being performed by the provider. Costs associated with these activities would then be unallowable and expose both the State and the provider to a potential financial liability.

EXAMPLE	
Vague	More Specific
"The provider is to offer an educational program for up to 30 children. Program activities may include tutoring, counseling, or other activities. The provider is responsible for providing staff to sufficiently operate the program."	"Provider is to conduct an after school study program for 30 at-risk children (as defined in Appendix A) on a full time basis (as defined in Appendix B) at the vendor's location Monday through Friday 2:30PM to 6:30PM for the period of 7/1/04 to 6/30/05 . . . Staff will consist of one supervisor and six tutors who meet the minimum qualifications defined in Appendix C."

The example on the left does not identify the tasks to be performed or require the provider to actually provide any service, but only to "offer" the service. It fails to set a minimum number of clients to be served. According to this scope, the provider may only serve one client a month and still get the full monthly payment. It does not identify any of the program specifics like staffing level, when services are to be made available, criteria for client eligibility, etc.

The example on the right contains the necessary information for the provider to perform according to agency's expectations.

The **Tips to Writing A Scope of Work** on the next page identifies components that should be included for a clear and complete agreement.

CHAPTER 3

AGREEMENTS, Continued

Tips to Writing A Scope of Work

Ensure that the scope of work:

- ☐ Identifies all tasks and/or services that the provider is required to perform.
- ☐ Specifically details the direction regarding the delivery of services and the documentation required to support the delivery of services.
- ☐ Directly relates to the goals and objectives of the program.
- ☐ Includes all of the products/supplies the provider is to furnish.
- ☐ Includes minimum performance standards.

CHAPTER 3

AGREEMENTS, Continued

Deliverables	A deliverable is an event that triggers a payment. For each task identified in the scope of work there should be an associated deliverable. Deliverables should: ✓ Be directly related to the scope of work; ✓ Be used to measure the provider's progress; ✓ Be specific, quantifiable, measurable and verifiable; ✓ Be a necessary part of the provider's performance; ✓ Be identified in the agreement along with a description of what constitutes successful performance of the event; ✓ Include minimum performance standards. Note: Reports are sometimes confused with deliverables. Reports alone may not necessarily be a deliverable, but the means of attesting to the services provided during the reporting period (payment period). For example, a report compiling the findings of a contracted research project would be a deliverable. A report that identifies the number of clients served and the services they received under a program is NOT a deliverable. The actual services provided to those clients are the true deliverables and are what triggers payment. The report is just the means by which the provider informs the agency of the services provided to each client.
EXAMPLES	The next three pages include examples of writing deliverables.

CHAPTER 3

AGREEMENTS, Continued

Examples of Writing Deliverables

	EXAMPLE	
	Not Related To the Scope of Work	Related To the Scope of Work
<i>FIXED PRICE DELIVERABLES</i>	“Provider will be paid \$6,000 each month upon submission of a progress report.”	“Provider will be paid \$6,000 each month for performing in accordance with the Scope of Work. The provider will submit a progress report by the 15 th of the following month attesting to the number of clients served each day and the level of services that were provided. Payment will be reduced by \$x for each vacant/unqualified staff position and \$x for each enrollment vacancy.”

The example on the left allows for payment to be triggered upon the submission of a report rather than the delivery of services to clients. It does not ensure performance in accordance with the scope of work.

The example on the right ties compensation to the delivery of services as stated in the scope of work. In order to receive the full payment amount, 30 at-risk children must have received services from qualified staff during the specified time period.

CHAPTER 3

AGREEMENTS, Continued

EXAMPLES		
<i>FIXED RATE DELIVERABLES</i>	"The provider will be paid \$300 for each day services are provided up to \$6,000 (20 days * \$300) per month."	"The provider will be paid \$200 per month for each full time participant (as defined in Appendix B) for up to 30 clients for services provided in accordance with the scope of work. The provider will submit a progress report by the 15 th of the following month attesting to the number of clients served each day and the level of services that were provided. Payment will be reduced by \$x for each vacant/unqualified staff position and \$x for each weekday that services are not provided."

The example on the left allows for payment to be triggered for each day rather than the delivery of services to clients. It does not ensure performance in accordance with the scope of work.

The example on the right ties compensation to the delivery of services as stated in the scope of work. In order to receive the full payment amount, 30 at-risk children must have received services from qualified staff during the specified time period.

CHAPTER 3

AGREEMENTS, Continued

	EXAMPLES	
	Not Related To the Scope of Work	Related To the Scope of Work
<i>COST REIMBURSEMENT DELIVERABLES</i>	“Provider will be reimbursed for expenditures incurred in accordance with the budget.”	“Provider will be reimbursed only for budgeted expenses incurred during the agreement time period that are directly related to the project. The provider will submit a progress report by the 15 th of the following month attesting to the number of clients served each day and the level of services that were provided. Payment will be reduced \$x for each weekday that services are not provided in accordance with the scope of work.”

The example on the left allows for payment for the expenditure of funds regardless of any services being provided. It does not ensure performance in accordance with the scope of work. The example on the right ties compensation to the delivery of services as stated in the scope of work which included the minimum performance standard of the full time attendance of 30 at-risk children, staffing levels, and staffing qualifications.

CHAPTER 3

AGREEMENTS, Continued

Reports	Reports alone may not necessarily be a deliverable, but the means of attesting to the services provided during the reporting period (payment period). For example, a report compiling the findings of a contracted research project would be a deliverable. A report that identifies the number of clients served and the services they received under a program is <u>NOT</u> a deliverable. The actual services provided to those clients are the true deliverables and are what triggers payment. The report is just the means by which the provider informs the agency of the services provided to each client. Agreements should clearly describe the timing, nature, and substance of all reports the provider is required to prepare. The next page includes a checklist of information to consider including in your agreement regarding reports.
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CHAPTER 3

AGREEMENTS, Continued

REPORT CHECKLIST	✓
Includes the date each report is due.	
Lists the specific information that each report is to contain. <u>NOTE:</u> <i>Requiring the provider to submit a “progress report” is not adequate. Reports should support service delivery, financial activity, and other important contract requirements.</i>	
Requires a standard format for reports. <u>NOTE:</u> <i>Information should be presented in a manner that the contract/grant manager would readily identify trends, problems, etc. The format may include narratives, spreadsheets, combinations, etc. Reports may be electronic, paper, or a combination.</i>	
Prescribes the order that records are presented in reports. <u>NOTE:</u> <i>It may be helpful to have records listed alphabetically, chronologically, and/or by a specific identifier such as a social security number.</i>	
Requires the provider to maintain documentation to support the information in the reports. <u>NOTE:</u> <i>For example, if the report contains records of clients served, then the provider could maintain a sign-in log. The agency must determine whether supporting documentation is submitted with each report.</i>	
Reports are readily reconcilable to the invoices and the supporting documentation.	
Contains sanctions for failure to submit reports in a timely manner.	

CHAPTER 4

FILES

Purpose	An agreement file is a tool which contains all the information about the agreement. Anyone should be able to pick up the file and easily obtain information about the agreement and its current status.
Description	It is essential files be maintained that record the documents and information that supports and validates the delivery of services and all programmatic and fiscal activities related to the agreement, including all correspondence.
Example	The following page is an example of an agreement file based on a multi-leaf folder that is organized into six main sections.

CHAPTER 3

AGREEMENTS, Continued

Example of an Agreement File Based on a Multi-Leaf File Folder Organized In To Six Main Sections

#	Section Title	Contents
1	Contact Record	Quick reference information (provider name, address, phone, email); contact sheet detailing agreement history (meeting notes, phone contact documentation); calendar showing all reporting dates, payment dates, renewal dates, deliverables schedule.
2	Authoritative Literature	Original agreement & amendments; Single Audit Act documentation; Florida statutes, Florida Administrative Code, department rules, appropriation language; subcontracts/subgrants and associated RFPs; provider certifications.
3	Payment History	Spreadsheet with running payment balance, warrant copies, voucher copies, etc.
4	Payment Request	Invoices, deliverables schedule, deliverables documentation.
5	Verification	Site visit documentation, independent documentation supporting delivery of services, completion of deliverables, expense validation, audit reports & findings resolution, reconciliation of actual expenses versus invoiced expenses, client surveys, etc.
6	Correspondence	All correspondence documentation – letters, email copies, etc.

CHAPTER 5

MONITORING

Purpose	Monitoring is a planned, ongoing, and periodic activity to determine: ➤ Compliance by the provider/sub with the agreement terms and conditions and any applicable laws and regulations. ➤ All required activities are being or have been performed in accordance with the agreement. ➤ Deliverables have been completed. ➤ Funds have been accounted for and used appropriately, when applicable. (i.e., state and/or federal financial assistance, cost reimbursement agreements.) ➤ Program goals and objectives are being met.
Description	Monitoring an agreement is an involved, interactive, and proactive activity. While the provider has responsibility to perform under the terms of the agreement, the state agency has responsibility for reasonable and objective evaluation of the provider's progress and performance. Likewise, a provider has the responsibility for monitoring its subrecipients/subcontractors. Effective monitoring can assist in identifying and reducing fiscal and/or program risks as early as possible; thus, protecting both public funds, ensuring the delivery of required services, and providing timely notification to the provider of areas of noncompliance.
Manager Responsibilities	It is the agreement manager's responsibility to provide an objective assessment of a provider/sub's performance and compliance. The results of monitoring should be communicated in writing to the provider/sub in a timely manner and retained in the agreement file. Performance/compliance monitoring activities should be supported by documentation that identifies: ➤ The process used for monitoring; ➤ The specific items selected for review; and, ➤ What was looked at (source evidence), how it was examined, and the conclusions.

CHAPTER 5

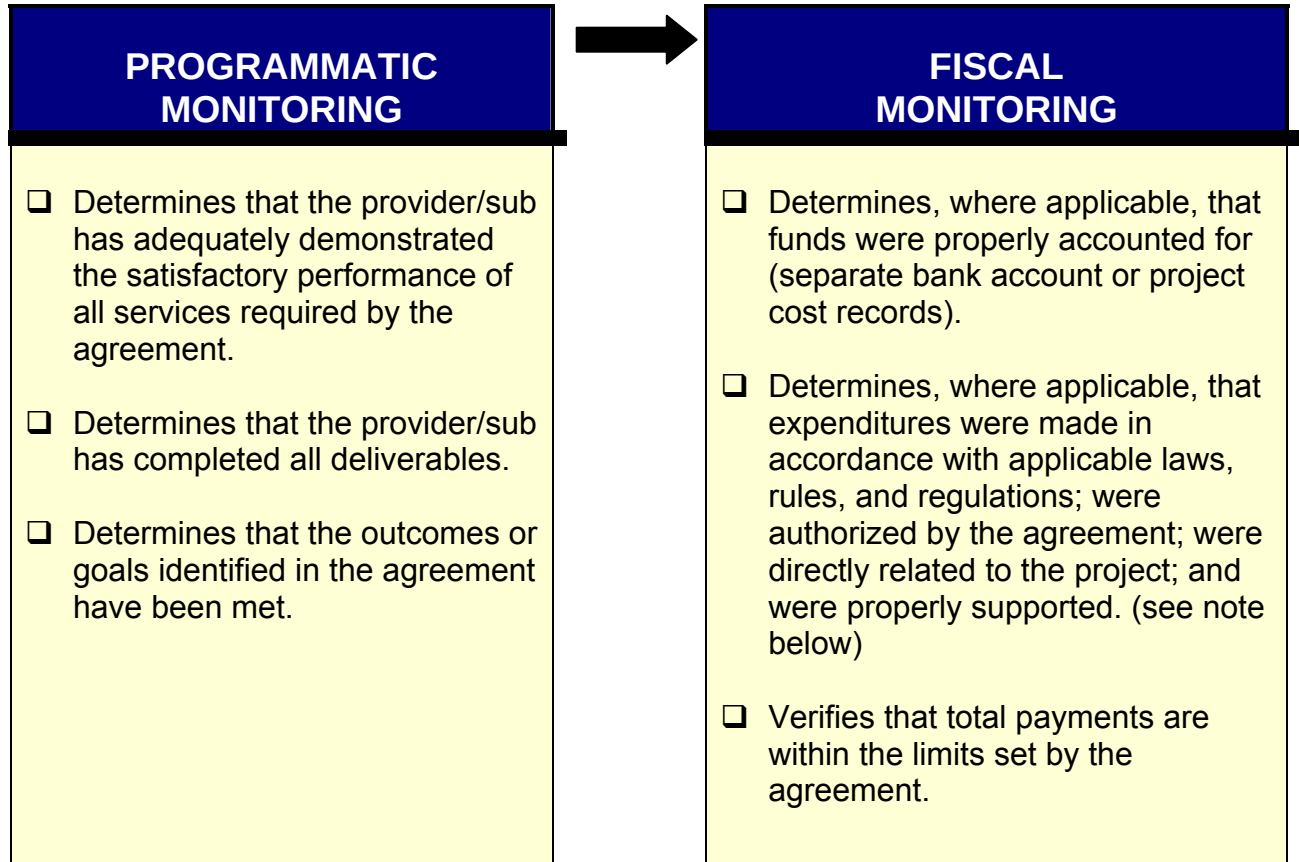
MONITORING, Continued

Programmatic and Fiscal Monitoring	Monitoring falls in to two general categories: 1. <u>Programmatic Monitoring</u> - focuses on the delivery of services and applies to all agreements. 2. <u>Fiscal Monitoring</u> - focuses on the accounting for all agreement funds/expenditures and determining that funds have been expended in accordance with the agreement and all applicable laws, rules, and regulations. Fiscal monitoring is applicable to cost reimbursement agreements and agreements funded by state and/or federal financial assistance. Both programmatic monitoring and fiscal monitoring involves information collection about provider operations and is not limited to site visits or the completion of formal reviews. Every communication provides a monitoring opportunity and must be documented accordingly. Adequate documentation is essential. Agreement files should include copies of letters, meeting notes, and documentation of phone conversations as evidence that conscientious monitoring has occurred during the period of the agreement. Documentation should be sufficient, reliable, and verifiable. For example, a sign-in sheet would provide sufficient documentation of how many people attended a training session. It is reliable because each attendee signed the sheet and can be easily verified by contacting the attendees. It is each party's responsibility to determine how often (monthly, quarterly, or annually) to review the documentation for expenditures; however, it is recommended that managers not wait until the last payment, especially on multi-million dollar agreements.
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CHAPTER 5

MONITORING, Continued

The chart below highlights some of the goals of each type of monitoring.



CHAPTER 5

MONITORING, Continued

Monitoring Plan	The monitoring plan is the strategy or action plan developed to manage the risk of nonperformance of the services required by the agreement and/or the noncompliance with applicable laws, rules, and regulations, as well as those specific requirements stated in the agreement. The monitoring of an agreement should not be confused with the management of an agreement. Management is the ongoing process of enforcing all terms and conditions of the agreement and ensuring that services have been rendered in accordance with the agreement prior to the processing of invoices for payment. Monitoring ensures proper management of the agreement and validates that services have been provided as required by the agreement. <u>Steps to Develop a Monitoring Plan</u> 1. Identify current agreements 2. Conduct risks analyses 3. Develop monitoring procedures 4. Determine sampling and testing procedures 5. Determine monitoring documentation requirements 6. Identify how results will be reported. <u>1. Identify Current Agreements</u> All current agreements need to be identified to ensure that a risk analysis is conducted on every agreement. <u>2. Conduct Risk Analysis</u> Determine the criteria to be applied in assessing the level of risk. The identified level of risk associated with each agreement will assist in determining the frequency of monitoring, what specific areas of the agreement are to be monitored (objective of the monitoring), and how it is to be monitored. The risks identified are the basis for the development of the monitoring program. Some of the factors to be considered in determining risk include: ➤ Total dollar amount of the agreements; ➤ Complexity of services; ➤ Risks to clients and citizens; ➤ Provider's experience and expertise; ➤ Provider's past performance; ➤ Recipient or subrecipient determination; ➤ Program fiscal requirements.
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CHAPTER 5

MONITORING, Continued

Monitoring Plan, Continued	3. <u>Develop Monitoring Procedures</u> The monitoring program is the blueprint for how monitoring objectives are to be achieved. Monitoring activities should be designed to provide assurances that the terms and conditions of the agreement have been met. For example, were required services provided? Were provided services received by eligible clients? The type of agreement selected may have an impact on the level and type of monitoring activities required to ensure that services required by the agreement were received and, where applicable, the funds were used appropriately. Cost reimbursement agreements, recipient/sub-recipient agreements, agreements that deliver multiple services, or agreements that use multiple funding sources (particularly those supported with federal funds) usually requires a more detailed monitoring program than other agreements because of their complex nature. This may involve more testing, such as additional review of provider reports and documentation, site visits, or a combination of these methods. The chart on the next page illustrates different monitoring activities and some related monitoring actions.
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CHAPTER 5

MONITORING, Continued

TYPES OF MONITORING ACTIVITY	ACTIONS
Review of Provider Submitted Reports	Require the provider to submit progress reports or other appropriate data or reports, based on pre-defined criteria, and review the provider's reports for verification of services provided and adherence to the agreement. Substandard performance should be identified and addressed timely and appropriately.
Onsite Reviews and Observations	Conduct onsite reviews, interview provider staff to ascertain their understanding of program goals, interview clients about services received, review key systems and service documentation, review client case records, review personnel records to ensure staff have appropriate credentials, review fiscal records, and observe operations whenever possible. The results of these visits should be documented in writing and compared with contract/grant requirements.
Client Surveys	Survey clients concerning agreement service delivery and quality. Require the provider to resolve complaints. Keep records of both the complaint and method of resolution.
Other Periodic Contact	Maintain an open line of communications to review progress on a regular basis. Documentation of these contacts becomes especially important when resolving any issue or concern regarding the agreement.
Agency Review of Audit Reports	Review any required audit reports and ensure the provider/sub takes appropriate and timely corrective action.
Invoice Reviews	Compare billings with the terms agreed upon in the agreement. Ensure that the costs being charged are within the agreement parameters and required services have been performed.

CHAPTER 6

CORRECTIVE ACTION

Description	Corrective actions are the steps taken to address any problem identified by the state agency or the provider/sub. Any problem should be communicated to all parties. Problems should be evaluated and the appropriate corrective action taken by all parties immediately, before they become recurring or serious. Each party should establish guidelines and directives for corrective action. Problems warranting corrective action typically include: ➤ Failure to ensure client health or safety; ➤ Significant audit or monitoring findings; ➤ Inferior quality of services; ➤ Failure to perform all or part of the agreement; ➤ Late performance; ➤ Late submission of reports on a recurring basis; ➤ Inadequate, unclear, or excessive billing; ➤ Inadequate accounting systems; ➤ Commingling of funds (the inability to tie costs to the project's specific funding source); ➤ Questionable expenditures; ➤ Unqualified staff; ➤ Ineligible clients; ➤ Inadequate documentation.
Manager Responsibilities	The manager's responsibilities for corrective action typically include: ➤ Communicating the issue and formalizing the corrective action to be taken. ➤ Seeking advice from the appropriate source when unsure of the rights of either party or the correct action to be taken. (e.g. legal counsel, program specialist, etc.)

CHAPTER 6

CORRECTIVE ACTION, Continued

Manager Responsibilities, Continued	The manager should be aware that some activities, such as over billing, may be either genuine errors or, in some extreme cases, the result of criminal activity. The manager should consider the provider's explanations and supporting documentation, while remaining sensitive to the possibility of fraud or related criminal activity. The manager is often the first person with the opportunity to identify suspicious activity and should follow the agency's process for investigating criminal activity when it is suspected.
Addressing Problems	To address problems, managers should: 1. Document all conversations and correspondence. 2. Set time frames for corrective action. 3. Check to see if applicable law or regulations direct how corrective action must occur. If so, comply with the legal requirements. 4. Clearly identify the problem verbally and in writing. Be specific by using dates, number of occurrences, or other data that quantifies the problem. For example, "Paragraph 4 of your Agreement states that you must submit a report by the 5th of each month. The reports for May, June, and July were all submitted over five weeks past the due date, and we have not yet received the report for August." 5. Advise the provider/sub in writing about the requirements to correct the problem or, if appropriate, ask the provider/sub to submit a corrective action plan, including dates when corrective action will be completed. Set a deadline for submission of the plan. 6. Track all corrective action to ensure completion. 7. Follow up in writing immediately if a deadline is missed or corrective action is otherwise not completed. Notify the provider/sub that a deadline has been missed and ask the provider/sub when the action will be completed. Advise the provider/sub that failure to comply with the corrective action plan could lead to termination of the agreement. Note: Failure by the manager to follow up on corrective action could be interpreted later by the court as a waiver. 8. Notify the provider/sub in writing that resolution has been achieved if the corrective action is successful in resolving problems. Remember to place the document in the agreement file.

CHAPTER 7

PAYMENT VERIFICATION

Purpose	The purpose of the payment verification process is to ensure that the State has received the goods and services required to be provided before payment is made.
Description	Documentation supporting the delivery of the required services must be submitted and reviewed by the contract manager prior to approving an invoice.
Responsibility	Section 287.057 (15), Florida Statutes requires that a contract manager be designated to enforce an agreement as follows: <i>“For each contractual services contract, the agency shall designate an employee to function as contract manager who shall be responsible for enforcing performance of the contract terms and conditions and serve as a liaison with the contractor. The agency shall establish procedures to ensure that contractual services have been rendered in accordance with the contract terms prior to processing the invoice for payment. “</i> Providers have the same responsibilities, when reviewing and approving invoices submitted by their subs, to ensure that contractual services have been rendered in accordance with the contract terms prior to processing the invoice for payment.
Recommended Actions	Documentation submitted for supporting the delivery of services should be reviewed and accepted prior to approving the invoice for payment, regardless of the method of payment. In the event that required services or expenditures are in dispute, the invoice may be prorated, reduced or withheld according to the remedies established in the agreement. Partial or prorated payments must be made based on the services or expenditures validated and supported by adequate documentation. If the agreement does not provide a remedy for the disputed issue or documentation can not be provided that support the services or expenditures, then the payment must be withheld until the issue is resolved and/or a settlement is reached. The charts on the following two pages list steps that are recommended to verify charges before a payment is made to the provider.

CHAPTER 7

PAYMENT VERIFICATION, Continued

	Recommended Payment Verification Actions
	1. Review invoice for accuracy and completeness. Ensure invoices clearly reflect the: ☐ Description of services; ☐ Number of service units provided; ☐ Period of services; ☐ Payment terms as identified in the agreement; ☐ Payment request/invoice billing period coincides with documentation submitted. ☐ Invoiced amount is in compliance with the terms of the agreement.
	2. Verify that any required supporting documentation has been submitted.
	3. Review documentation to gain reasonable assurance that services have been satisfactorily provided within the terms of the agreement.
	4. All other steps have been satisfactorily completed, including any agency unique requirements.

CHAPTER 7

PAYMENT VERIFICATION, Continued

The chart below identifies the payment verifications actions associated with the agreement type.

Type of Agreement	Payment Verification Actions
Fixed Unit Rate	☐ Verify invoice provides unit description and unit price. ☐ Compare units of service to supporting documentation during monthly billing period. ☐ Verify rate billed coincides with agreement rate.
Fixed Price	☐ Verify invoice amount with the agreement terms. ☐ Review supporting documentation and determine if minimum performance standards are met. ☐ If minimum performance standards are not met, pro-rate invoice.
Cost Reimbursement	Verify expenditures are: ☐ Allowable in the agreement budget ☐ Allowable pursuant to other rules and regulations ☐ Directly related to the scope of work; ☐ Reasonable ☐ Within the agreement period ☐ Documented ☐ Verify minimum performance standards are met and apply sanctions as needed. NOTE: Unless specified in the contract, fringe benefits will be reimbursed at actual cost.
Combination Contracts	Apply above criteria for applicable combination.

CHAPTER 8

CLOSEOUT

Description	Whenever an agreement is closed, <i>programmatic and fiscal</i> information must be gathered and analyzed to determine, “Did we accomplish the program goals and objectives for which services were procured and contracted?” and “Were all funds properly accounted for?” The documentation gathered during the closeout process must be maintained in the agreement file. <u>NOTE:</u> Performance and fiscal information gathered through closeout procedures should be used as basis for future agreements.
Programmatic Closeout	A programmatic closeout includes, but is not limited to, determining and documenting that: ☐ All deliverables and services have been delivered and accepted in writing. ☐ All reports (including Financial Status Report) have been received and accepted in writing. ☐ Program objectives were met. ☐ Liquidated damages/sanctions have been assessed for non-performance/non-compliance.
Fiscal Closeout	A fiscal closeout includes, but is not limited to, determining and documenting that: ☐ Acquired non-expendable property has been returned to State. ☐ Advances and/or interest earned on advances have been recovered or applied against what is owed. ☐ Match requirements have been met. ☐ Amounts assessed as liquidated damages/sanctions for non-performance/non-compliance have been recovered. ☐ Disallowed costs and/or unused grant funds have been recovered. ☐ Final payment to provider is made <u>only</u> after all programmatic and fiscal steps have been completed. ☐ *Financial Status Report has been reviewed and approved in writing. ☐ *Cost audit has been performed. <u>Note (*):</u> Required for all agreements except, fixed price/fixed rate agreements with vendors which were competitively procured by evaluation of two or more responses.

REFERENCES

Reference	Web Site Location
Attorney General's Office for AG Opinions	http://myfloridalegal.com/opinions
Chief Financial Officer's Memorandum	http://www.myfloridacfo.com/aadir/cmmain.htm
Catalog of Federal Domestic Assistance (CFDA)	http://12.46.245.173/cfda/cfda.html
Code of Federal Regulations (CFR)	http://www.gpoaccess.gov/cfr/index.html
Florida Administrative Code	http://www.flrules.org/
Florida Single Audit Act ➤ <i>Checklist for Non-State Organizations – Recipient/Subrecipient Vs. Vendor Determination</i> ➤ <i>Standard Audit Language for State and Federal Financial Assistance</i> ➤ <i>Catalog of State Financial Assistance (CSFA)</i>	https://apps.fldfs.com/fsaa/
Florida Statutes	http://www.leg.state.fl.us/statutes/index.cfm?Mode=ViewStatutes&Submenu=1

REFERENCES, Continued

Office of Management and Budget (OMB) Circulars ➤ A21 - Cost Principles for Education and Institutions ➤ A-87 - Cost Principles for State and Local Governments ➤ A-110 – General Administrative Requirements ➤ A-122 – Cost Principles for Not-For-Profit Organizations ➤ No. A-133 – Federal Single Audit	http://www.whitehouse.gov/omb/circulars/index.html
Reference Guide for State Expenditures, Department of Financial Services	http://www.fldfs.com/aadir/reference%5Fguide/