CHIEF FINANCIAL OFFICER MEMORANDUM NO. 02 (2012-2013)

SUBJECT: CONTRACT AND GRANT REVIEWS AND RELATED PAYMENT PROCESSING REQUIREMENTS

This memorandum supersedes the following Chief Financial Officer Memoranda: No. 01 (2007-08), No. 03 (2009-10), No. 05 (2009-10), and No. 06 (2009-10).

CONTRACT DOCUMENT REQUIREMENTS

Section 287.058, Florida Statutes (F.S.), was amended in 2010, establishing new provisions related to scope of work and deliverables in order to improve accountability for contractual service agreements entered into by state agencies. Contractual service agreements executed on or after July 1, 2010, must be in compliance with the requirements of Section 287.058, F.S. These contractual service agreements must include:

- A scope of work that clearly establishes all of the specific tasks the contractor is required to perform.
- Documentation required to be maintained by the contractor to evidence the completion of the tasks.
- Specific deliverables that must be provided and accepted prior to payment. Deliverables must be quantifiable, measurable and verifiable. Each deliverable must be directly related to a task specified in the scope of work and must identify the minimum level of service to be performed. Agencies should not confuse reports with deliverables. Reports usually are not deliverables. Rather, a report is the means to attest to the tasks performed during a given period of time.
- Specified criteria that will be used to determine the contractor’s successful performance.
- Financial consequences that the agency must apply if the contractor fails to perform in accordance with contract. A state agency must apply financial consequences if the contractor fails to meet the minimum level of service identified in the agreement or other contract terms.

CONTRACT AND GRANT REVIEWS

Contractual service (including purchase orders) and grant agreements will be submitted to the Bureau of Auditing (Bureau) for review. For contracts that are effective July 1, 2012 or later, required documentation must be submitted no later than when the next payment request is submitted to the Bureau. For contracts executed after the date of this memorandum, documentation must be submitted upon execution of the agreement. Agencies must submit documentation including the contractual service agreement, purchase order, grant agreement, along with any required special approvals (Attorney General, advance payment, etc.), and procurement documentation (bid tabulation, proposal evaluation, price/cost analysis, etc.).
Agencies will submit documentation related to contractual service agreements, grant agreements, and purchase orders, if the value of the agreement is, or has been amended to, $750,000 or more. Agencies will submit documentation related to contractual service agreements and purchase orders, that are based upon state term contracts, if the value of the agreement is $500,000 or more. The Bureau may also review, on a sample basis, agreements below these thresholds.

The Bureau has determined that the types of agreements listed below are exempt from this requirement:

- Building Construction
- Architect/Engineers
- Legal Services (including Court Reporting)
- Courier Services
- Service Level Agreements between agencies and the Shared Resource Centers

Agencies may make a written request for additional exemptions.

The Bureau will focus its review on the agreement’s scope of work, deliverables, compliance with the state term contract (if applicable) and the payment terms, as well as the compliance requirements for state and federal financial assistance, as established by Chief Financial Officer Memorandum No. 4 (2005-06). The Bureau will complete the review and provide its conclusions to the submitting agency. Payments may be delayed on agreements that do not meet statutory requirements (scope of work, deliverables, financial consequences, etc.).

AGREEMENTS FUNDED BY STATE AND/OR FEDERAL FINANCIAL ASSISTANCE

Section 215.971, F.S., requires agreements that are funded by state and/or federal financial assistance include provisions related to scope of work and deliverables. Agreements executed on or after July 1, 2010, are required to include:

- A scope of work that clearly establishes all of the specific tasks the recipient/subrecipient is required to perform
- Documentation required to be maintained by the recipient/subrecipient to evidence the completion of the tasks
- Specific deliverables that must be provided and accepted prior to payment. Deliverables must be quantifiable, measurable and verifiable. Each deliverable must be directly related to a task specified in the scope of work and must identify the minimum level of service to be performed. Agencies should not confuse reports with deliverables. Reports usually are not deliverables. Rather, a report is the means to attest to the tasks performed during a given period of time.
- Specified criteria that will be used to determine the recipient/subrecipient’s successful performance.

The requirements of Chief Financial Officer Memorandum No. 4 (2005-06), relating to these agreements, continue to be in effect.
COST ANALYSIS REQUIRED BY SECTION 216.3475. FLORIDA STATUTES

Section 216.3475, F.S., requires agencies to maintain records to support a cost analysis for service agreements, executed on or after July 1, 2010, which were awarded on a noncompetitive basis. Detailed budgets are required to be submitted by the person or entity awarded funding in excess of Category II and must be reviewed by the agency. The attached Cost Analysis form and instructions are to be used to document an agency’s review of the detailed budget. If an agency already has an existing form which it desires to use, the form must be submitted to the Bureau for review and approval.

The completed cost analysis is to be maintained in the contract manager’s contract file. The cost analysis form is required to be submitted to the Bureau when submitting agreements with a value of $750,000 or more.

Contact the Bureau of Auditing at (850) 413-5512 for questions regarding this memorandum.
COST ANALYSIS FOR NON-COMPETITIVELY PROCURED AGREEMENTS IN EXCESS OF CATEGORY II

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<tr>
<th>Line Item Budget Category</th>
<th>Amount</th>
<th>% Allocated to this Agreement</th>
<th>Allowable</th>
<th>Reasonable</th>
<th>Necessary</th>
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<td>Salaries</td>
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<td>Fringe Benefits</td>
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<td>Miscellaneous</td>
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<td>Indirect cost/overhead</td>
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</table>

**TOTAL**

CERTIFICATION:

I certify that the cost for each line item budget category has been evaluated and determined to be allowable, reasonable, and necessary as required by Section 216.3475, F.S. Documentation is on file evidencing the methodology used and the conclusions reached.

___________________
Name

___________________
Signature

___________________
Title

___________________
Date
COST ANALYSIS INSTRUCTIONS FOR NON-COMPETITELY PROCURED AGREEMENTS IN EXCESS OF CATEGORY II

1. Agencies must complete a cost analysis worksheet for the original contract and any amendment that affects the amount of compensation and/or the level of services provided.
2. Each separate line item must be evaluated to determine whether the cost is allowable, reasonable and necessary. Each miscellaneous cost must be specifically identified.
3. To be allocated to a program, a cost must be related to the services provided. If the cost benefits more than one program, a determination must be made that the cost is distributed in a reasonable and consistent manner across all benefiting programs.
4. To be allowable, a cost must be allowable pursuant to state and federal expenditure laws, rules and regulations and authorized by the agreement between the state and the provider.
5. To be reasonable, a cost must be evaluated to determine that the amount does not exceed what a prudent person would incur given the specific circumstances.
6. To be necessary, a cost must be essential to the successful completion of the program.
7. Indirect costs/overhead should be evaluated to determine that the rate is reasonable.
8. Agencies must retain documentation in agency files to support the conclusions reached as shown on the Cost Analysis for Non-Competitively Procured Agreements in Excess of Category II form.