

Advancing Accountability

For Service Providers

Best Practices For
Contract and Grant
Management
2007

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Section 17.03, Florida Statutes provides “The Chief Financial Officer of this state, using generally accepted auditing procedures for testing or sampling, shall examine, audit, and settle all accounts, claims, and demands, whatsoever, against the state, arising under any law or resolution of the Legislature, and issue a warrant directing the payment out of the State Treasury such amount as he or she allows thereon.”

The mission of the Bureau of Auditing is to assist the Chief Financial Officer in performing her constitutional and statutory duties by providing assurance to Florida taxpayers that: funds are disbursed from the State Treasury in accordance with applicable laws, rules, and administrative policies; and goods/services have been received as specified in the contract/grant agreement.

PURPOSE OF TRAINING

The purpose of this training is to improve accountability for state funds and to reduce the instances of payment delays to recipients and sub-recipients by providing guidance to these organizations. Best practice guidelines are presented for crucial areas of the project management process. These guidelines apply regardless of the form of the agreement, e.g. contract, grant, purchase order, memorandum of understanding, etc.

KEY WORDS:

- ❖ **Fiscal Responsibility**
- ❖ **Accountability**
- ❖ **Documentation**

Helpful Web Addresses:

OMB Circulars - <http://www.whitehouse.gov/omb/circulars/index.html>

CFDA - <http://12.46.245.173/cfda/cfda.html>

CFR - <http://www.gpoaccess.gov/cfr/index.html>

Reference Guide for State Expenditures –
<http://www.fldfs.com/aadir/reference%5Fguide/>

Florida Statutes - <http://www.leg.state.fl.us/statutes/>

Florida Administrative Code - <http://www.flrules.org/>

Florida Single Audit Act information - <https://apps.fldfs.com/fsaa/>

GuideStar - www.guidestar.org

General:

↑ **Unlawful compensation or reward for official behavior:** It is illegal for a person or vendor for a wrongful purpose to promise to a public servant or offers to, agrees to or actually confers “any pecuniary or other benefit not authorized by law”. *Fla. Stat. §838.016*

↑ **Commercial bribery:** It is illegal for a vendor, knowing a public servant has the duty not to accept unauthorized gifts, with the intent to influence the other person to violate their public duty, offers to, agrees to or actually confers the benefit on the public servant. *Fla. Stat. §838.16*

↑ **Gifts to Agencies:** Only agencies specifically authorized by statute to accept gifts may accept gifts from a vendor.

↑ **Avoid offering gifts that cannot be accepted.** Person or entity inducing a public officer to breach the public trust for private gain is liable for all financial benefits obtained. *Fla. Const. Article II, Section 8 and criminal offenses under Chapter 838. See Unallowable Expenditures, p. 10.* Ethics Code prohibits solicitation and acceptance of gifts given to influence. *Fla. Stat. §112.313(2), (4)*

Summary of Florida's gift law for public officers [see <http://www.ethics.state.fl.us/>]:

↑ **Procurement employee or person required to file annual financial disclosure is:**

- prohibited from soliciting any gift.
- prohibited from directly or indirectly accepting a gift worth over \$100 from a lobbyist etc. (may be accepted by a person on behalf of an authorized governmental entity)
- may accept a gift valued at over \$25 but not exceeding \$100 from a lobbyist but it must be reported quarterly.

↑ **A lobbyist, political action committee, etc. is:**

- prohibited from giving gifts valued at over \$100 to any Procurement employee or person required to file annual financial disclosure.

Summary of Florida's law on honoraria:

↑ **Person required to file annual financial disclosure is:**

- prohibited from knowingly accepting an honorarium from a lobbyist.
- prohibited from soliciting an honorarium which is related to his public duties.
- may accept transportation, lodging, food, and beverage expenses related to an honorarium if reasonable and disclosed annually to the Commission on Ethics.

↑ **A lobbyist, political action committee, etc. is:**

- prohibited from giving an honorarium to a procurement employee or Person required to file annual financial disclosure in an agency he/she lobbies.
- provide allowed expenses statement within 60 days of honorarium event.

Bid development and proposal phase of procurement solicitations:

Behavior before solicitations: A vendor is ineligible to bid on a project that he has been hired to develop unless the development contract was competitively procured or development input received pursuant to a Request for Information from the agency. *Fla. Stat. §287.057(18)*

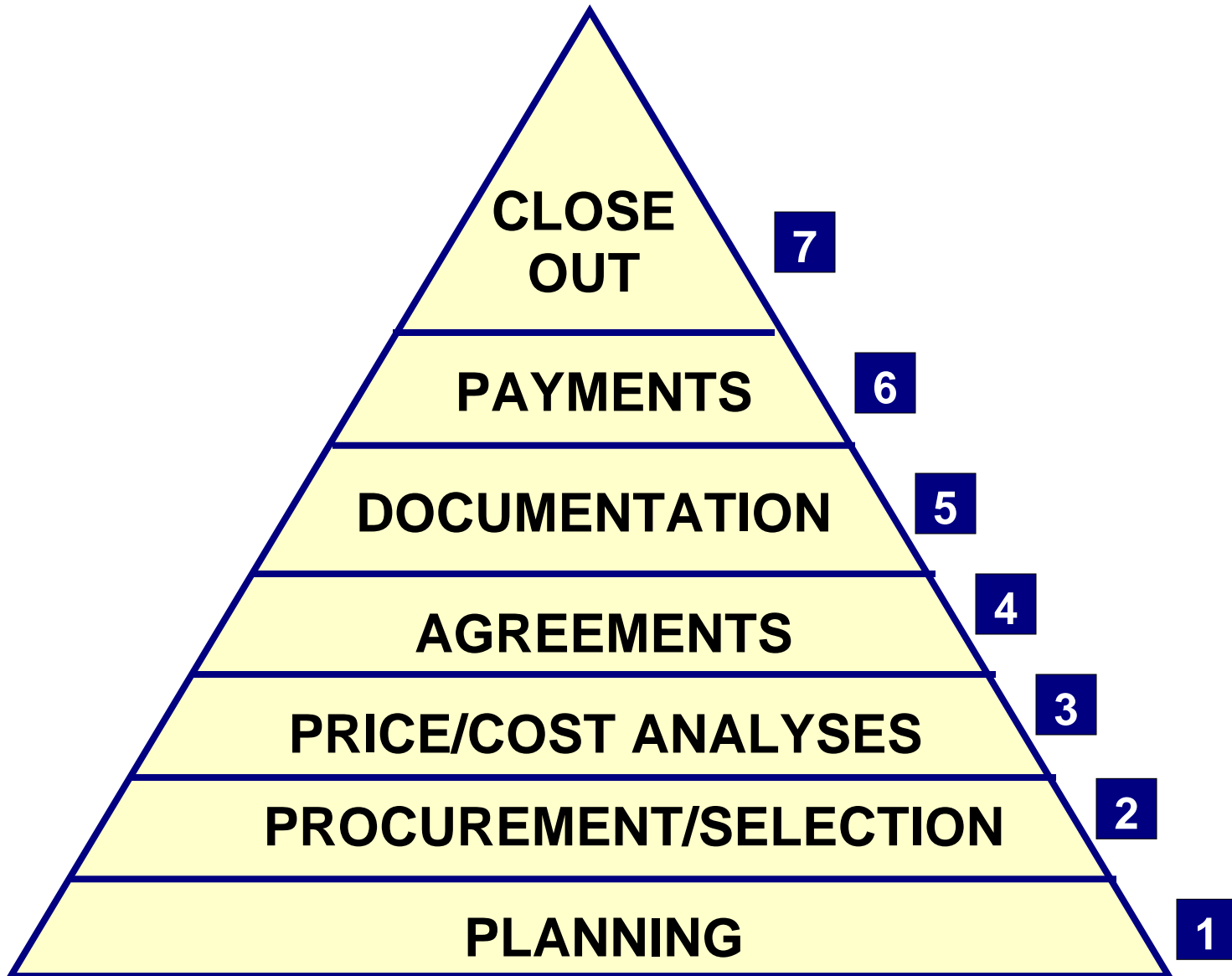
Trade practices: Vendors can be investigated for unfair trade practices. *Fla. Stat. §501.97*

Conflict of interest: Agency solicitations put the burden on the vendor to confirm that there is no conflict of interest. *PUR 1001 required by F.A.C.Rule 60A-1.041.*

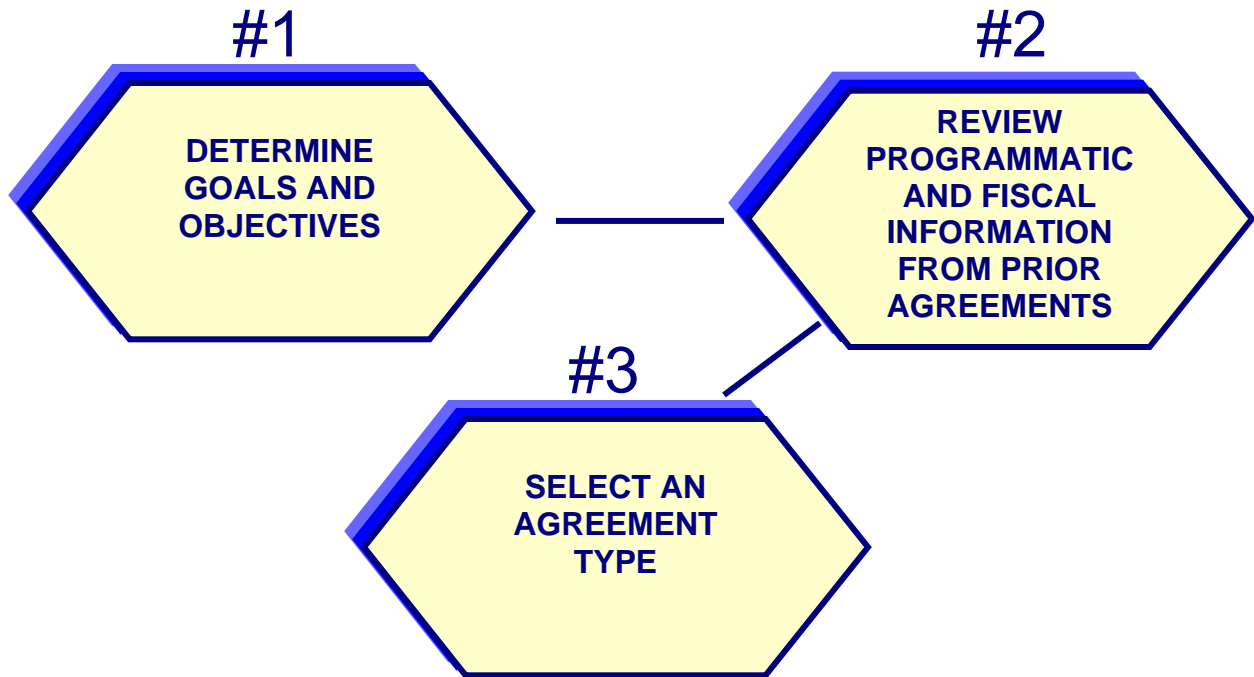
Behavior during contract evaluation and award:

↑ **Lobbying the agency during procurement solicitations:** Vendors are to make no private contact with individual evaluation team members on the subject during the evaluation process, beginning upon receipt of bids through posting of award. Evaluation team meetings are public.

There are seven crucial elements for managing projects:



Planning is an essential element in this process. Goals and objectives are determined by answering the question, "What do we want to accomplish?"



Agreements should be selected based on which one best ensures the delivery of service, promotes efficiencies and effectiveness of services, and provides the best value to the State. Three basic agreement types exist and each has its advantages/disadvantages.

AGREEMENT TYPES	CONSIDERATIONS
Fixed Price/Fixed Rate Price	*Provides greatest incentive for efficient and economical performance. *Should only be used if competitively procured and/or historical costs available to provide basis for fixed price.
Cost Reimbursement	*Should be used when no competitive procurement and/or no historical cost information is available. *Should include a budget detailing how funds are to be spent and state that all expenditures must be directly related to the project. *Requires more fiscal monitoring.
Combination	*Cost plus firm fixed fee (profit) NOTE: Cost plus percentage of cost should be avoided, as it offers no incentive for the provider to control costs.

Agreements with contractors/recipients must be awarded in accordance with applicable laws, rules, and regulations. Each agency should have codified rules for each of their grant programs. Providers should follow their established written procurement procedures when subcontracting or sub granting using state funds when not required to follow state or federal rules.

Full and fair open competition is necessary to assure that the State pays a fair and reasonable price for the services to be provided. Based on goals, objectives, needs, and historical information, an appropriate procurement method should be selected and fully documented.

Section 287.057, Florida Statutes and Rule 60A-1, F.A.C. provide three **competitive** procurement methods:

PROCUREMENT METHOD	CONSIDERATIONS
<p>Invitation to Bid (ITB)</p>	<p>*Used when the agency knows exactly what is required.</p> <p>*Price is the determining factor in the award.</p>
<p>Request for Proposal (RFP)</p>	<p>*Used when the agency has a general idea of what is required.</p> <p>*Services and price are evaluated.</p>
<p>Invitation to Negotiate</p>	<p>*Used when:</p> <ul style="list-style-type: none"> -the scope of work has not been accurately or completely defined; -services can be provided in different ways; or, -qualifications of provider and quality of work are more important than price. <p>*Works best when highly technical and/or complex services are being acquired.</p> <p>* Price is negotiated based on agreed upon scope of work.</p>

Depending on procurement/selection method and type of agreement to be entered into, price and/or cost analyses should be completed. Section 216.3475 Florida Statutes requires that a person or entity that is awarded funding on a non-competitive basis may not be paid more than the competitive market rate.

	Definition	Objective	Actions
Price Analysis	The process of examining and evaluating proposed price without evaluating its separate cost elements.	Verify that overall price is fair and reasonable.	*Compare current proposed prices *Compare current price to previous price
Cost Analysis	The process of reviewing and evaluating separate cost elements.	Determine the allowability and reasonableness of proposed cost elements.	*Determine that proposed costs are allowable per federal and state laws, rules and regulations. *Evaluate necessity for and reasonableness of proposed costs. Give particular attention to fringe benefits, overhead and indirect cost rates, profit margin. *Compare to actual costs previously incurred for same services.

NOTE:

- Competition (2 or more responses) usually establishes price reasonableness.
- Fixed price/fixed rate agreements with vendors, which have been competitively procured by evaluation of two or more responses, do not usually require further price or cost analyses. However, competitively procured fixed price/fixed rate agreements with recipients will require further cost analyses.
- Cost reimbursement and/or cost plus fixed fee agreements always require cost analysis.
- ITN, Single Source, and non-competitive procurements require price and cost analyses. The objective is to negotiate an agreement of a type and a price that provides the greatest incentive for efficient and economical performance.

Examples of Generally Unallowable Expenditures:

Candy	Alcohol	Decorations	Greeting Cards
Lobbying	Personal Cellular Telephones	Office Parties	Entertainment
Food*	Microwave Ovens**	Coffee Pots**	Portable heaters**
Refrigerators**	Fans**	Congratulatory Telegrams	Refreshments
Banquets	Catering	Gifts/Flowers	Promotional Items***

* Unless meals are in accordance with Section 112.061 Florida Statutes.

** If purchased for the personal convenience of staff.

***Generally requires specific statutory authority.

This list is not all-inclusive and is presented for example purposes only. An expenditure of state funds must be authorized by law and the expenditure must meet the intent and spirit of the law authorizing the payment. Some of the items above may be allowable if there is statutory authority for their purchase and other rules or laws do not prohibit them. Organizations should refer to the Reference Guide for State Expenditures and seek advice from their funding agency when determining whether specific purchases are allowable pursuant to the laws, rules, and requirements of their agreement and program.

A clear and complete agreement is a critical component of this process. The quality of the agreement can determine whether the project will be successful. Additionally, issuing a comprehensive agreement is necessary because the quality of the agreement will have a direct effect on the payment process, the monitoring process, and the overall success of the project.

Agreements should...

CONTAIN:

- A specific and clearly defined scope of work
- Specific deliverables (quantifiable, measurable and directly related to the scope of work)
- Sub-contracting/sub-granting terms, if applicable
 - The provider should be required to use a competitive procurement method or provide a detailed cost analysis for services obtained from subs.
 - If the state agency's agreement is a cost reimbursement agreement, any sub-agreement should also be a cost reimbursement agreement.
- All terms and conditions necessary to govern the relationship between the provider and the sub
- Payment terms (e.g., frequency of payments, method of payment and required documentation)
- Agreements with sub-recipients must contain standard audit language regarding federal and state financial assistance that is located on the Florida Single Audit Act web site, <https://apps.fldfs.com/fsaa/>
- The timing, nature and substance of all reports the recipient/sub-recipient is required to prepare
- 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 cost \$1,000 or more, it should be returned to the state upon agreement termination. Disposition of non-expendable property acquired with state or federal financial assistance must be disposed of in accordance with applicable rules and regulations.
- Specific sanctions for noncompliance/nonperformance of required services
- Specific steps for pro-rating services/invoices if minimum performance standards are not met

REQUIRE:

- The recipient and subs maintain both cost and programmatic records for five years and allow the state access to the records.
- The recipient/sub to have an adequate cost accounting system or require the provider/sub to maintain a separate bank account.
- A financial status report (summary of activity and costs) submitted prior to the final payment.
- Return of all unused funds
- All costs to be reasonable, allowable, allocable and documented, and require repayment for all disallowed costs
- Documentation must be maintained for at least five (5) years from last activity.

The **scope of work** should:

- ✓ Be specific
- ✓ Be clearly established
- ✓ Be directly related to the goals and objectives of the program
- ✓ Include:
 - All of the activities and services that the sub is to perform
 - All of the products the sub is to furnish
 - Minimum performance standards such as staffing levels, minimum qualifications for staff, number of clients served, etc.

EXAMPLES		
	Vague	More Specific
SCOPE OF WORK	<p>“The sub is to offer an educational program for up to 30 children. Program activities may include tutoring, counseling or other activities. The sub is responsible for providing staff to sufficiently operate the program.”</p>	<p>“Sub 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 3:00PM to 6:00PM for the period of 7/1/05 to 6/30/06 Staff will consist of a minimum of 1 supervisor and six tutors who meet the minimum qualifications defined in Appendix C.”</p>

Deliverables should:

- ✓ Be directly related to the scope of work
- ✓ Be used to measure the sub's progress
- ✓ Be specific, quantifiable, measurable and verifiable
- ✓ Be the only events that will trigger a payment
- ✓ Be a necessary part of the sub's performance
- ✓ Be identified in the agreement along with a description of what constitutes successful performance of the event
- ✓ Include minimum performance standards.

Clear and Specific Deliverables should:

- ✓ State all tasks required to be completed for each deliverable*;
- ✓ Provide a dollar amount for each task. Amount should be commensurate with the efforts and market value of the task performed.
- ✓ Detail how the delivery of the tasks are to be documented;
- ✓ Identify the minimum acceptable level of performance for each deliverable and provide sanctions for failure to meet those requirements;
- ✓ Clearly identify the timelines for completion and submission of deliverables for approval.

* Only the performance of tasks/services included in the Scope of Work should be used in Deliverables. Also, the completion of all tasks included in the Scope of Work should be required to meet all deliverables.

	EXAMPLES	
	Not Related To the Scope of Work	Related To the Scope of Work
<i>FIXED PRICE DELIVERABLES</i>	“Sub will be paid \$6,000 each month upon submission of a progress report.”	“Sub will be paid \$6,000 each month for performing in accordance with the Scope of Work. The sub 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.”
<i>FIXED RATE DELIVERABLES</i>	“The sub will be paid \$300 for each day services are provided up to \$3,000 (20 days * \$300) per month.”	“The sub 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 sub 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.”
<i>COST REIMBURSEMENT DELIVERABLES</i>	“Sub will be reimbursed for expenditures incurred in accordance with the budget.”	“Sub will be reimbursed only for budgeted expenses incurred during the agreement time period that are directly related to the project. The sub 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.”


The agreement should list, in clear and specific detail, all required information and documentation needed for the payment process.

This would include:

- **Identify the Method of Payment.**
- **Identify the specific information to be included on each invoice such as specifically required information*.**
- **Identify any program specific requirements or instructions.**
- **Consider providing sample documents as exhibits to the agreement and include instructions to properly complete the forms.**
- **Identify the documentation that is required to accompany each invoice and the format in which the documentation is to be submitted.**
- **Identify timelines for invoice submission and approval.**
- **Identify sanctions to reduce compensation for failing to meet minimum requirements.**
- **Deadline for final payment.**

* Rule 69I 40.002 (3) F.A.C. requires invoices contain, at a minimum, the description of services, number of units and unit rate.

Agreements should clearly describe the timing, nature and substance of all reports the recipient or sub-recipient is required to prepare.

REPORT CHECKLIST	
State the date each report is due.	
List the specific information each report is to contain. <ul style="list-style-type: none"> ❖ <i>Simply requiring the sub to submit a “report on their progress” is not adequate.</i> 	
Require a standard format for reports. <ul style="list-style-type: none"> ❖ <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> 	
Prescribe the order that records are presented in reports. <ul style="list-style-type: none"> ❖ <i>It may be helpful to have records listed alphabetically, chronologically, and/or by a specific identifier such as a social security number.</i> 	
Require the sub to maintain documentation to support the information in the reports. <ul style="list-style-type: none"> ❖ <i>For example, if the report contains records of clients served, then the sub could maintain a sign in log. The agency/recipient must determine whether supporting documentation is submitted with each report.</i> 	
Reports are readily reconcilable to the invoices.	
Contain sanctions for failure to submit reports in a timely manner.	

ADDITIONAL COMPENSATION

- ❖ **Extra compensation claims prohibited.**--No extra compensation shall be made to any officer, agent, employee, or contractor after the service has been rendered or the contract made; nor shall any money be appropriated or paid on any claim the subject matter of which has not been provided for by preexisting laws, unless such compensation or claim is allowed by a law enacted by two-thirds of the members elected to each house of the Legislature. *Section 215.425, Florida Statute*

Maintaining sufficient, reliable and verifiable source documentation of programmatic activities and fiscal transactions is the responsibility of every recipient and sub-recipient. **The provider has responsibility to perform under the terms of the agreement and the state agency has responsibility for reasonable and objective evaluation of the provider's performance.** Maintaining sufficient, reliable and verifiable documentation can assist in reducing delays in your payments while protecting public funds and ensuring the delivery of necessary services to the citizens of Florida.

Recipient/Sub Responsibilities

Documentation maintained by a recipient or sub-recipient should clearly demonstrate:

- ✚ Compliance with the agreement terms and conditions and all applicable laws and regulations
- ✚ Completion of the scope of work.
- ✚ Deliverables have been met.
- ✚ All funds have been accounted for and used appropriately.

The State Agency's Responsibilities

Include:

- ✚ Verifying the provider's actual performance to the agreement terms and agreed upon performance indicators.
- ✚ Ensuring any required audits are performed and received when due.
- ✚ Evaluating audit findings and corrective action status.
- ✚ Identifying and following any federal or state monitoring requirements.
- ✚ Verifying receipt of deliverables before approving invoice payment.
- ✚ Comparing and tracking payments against agreement terms.
- ✚ Ensuring timely approval of invoices
- ✚ Verifying payment request is in accordance with agreement and expenditures are properly supported and accounted for.

Documentation generally falls into two categories: programmatic documentation and fiscal documentation. Programmatic documentation should clearly show that required services were performed and fiscal documentation should clearly account for the use of funds.

PROGRAMMATIC DOCUMENTATION	FISCAL DOCUMENTATION
<ul style="list-style-type: none"><input type="checkbox"/> Should demonstrate compliance with program requirements, laws, rules and the agreement.<input type="checkbox"/> Support the delivery of services as required by the agreement for which payment has been requested.<input type="checkbox"/> Support the completion of all deliverables for which payment has been requested.<input type="checkbox"/> Document outcomes or goals identified in the agreement.<input type="checkbox"/> Support information periodically reported to the funding state agency.<input type="checkbox"/> Document the delivery of services provided by all sub-recipients, subcontractors, and consultants.	<ul style="list-style-type: none"><input type="checkbox"/> Clearly demonstrate that all funds are properly accounted for (separate bank account or project cost records) including both revenues and expenditures. Do not commingle funds between projects, funding sources, time periods, or separate agreements.<input type="checkbox"/> Document that all expenditures were made in accordance with applicable laws, rules and regulations; were authorized by the agreement; were directly related to the project; and were properly supported.<input type="checkbox"/> Account for any interest earned. Generally, interest must be used for project expenditures or returned to the state.<input type="checkbox"/> Account for all expenditures made by sub-recipients, subcontractors and consultants as required.

While we separate fiscal and programmatic documentation for discussion, they are directly related. Every fiscal activity should be related to a documented programmatic activity. For example, an employee's salary should correspond to a project timesheet that in turn corresponds to documented allowable program and/or administrative activities directly related to the delivery of services.

Note: The project time sheet ties the fiscal and programmatic documentation together. Without the project timesheet and the documented program activities, the employee's salary could be considered a questioned expenditure and disallowed.

Common Expenditure Issues:

- Travel – Must be in accordance with Section 112.061 Florida Statutes, for meals, mileage, etc.
- Promotional Items – There must be statutory authority to purchase promotional items.
- Banquets/Catering – Generally unallowable unless there is specific statutory authority.
- Dumping/Stockpiling – Purchases of equipment or supplies made near the end of the agreement term that are not necessary to complete the required services. Generally unallowable.
- Agreements with consultants or sub-recipients with vague scopes of work and/or poor deliverables.
- Agreements with consultants or sub-recipients with payment rates that are not justified.
- Related party transactions – Include real property leases, employment, subcontractors, sub-recipients, etc. that have a family relationship or are related financially or organizationally to the recipient or sub-recipient expending funds. These agreements may require additional justification and/or documentation to ensure the reasonableness of the transaction.
- Performance and Deliverable-Based Agreements – Not accounting for funds and/or incurring unallowable expenditures.

Common Programmatic Issues:

- General lack of programmatic documentation.
- Performance and Deliverable-Based Agreements – Documenting the deliverables without documenting the effort provided to achieve the deliverable.
- Client Eligibility - Not adequately documented or clients ineligible.

When services are subcontracted or sub-granted to another entity, the organization originally receiving funds from the state is usually responsible for ensuring these services are provided and funds are spent appropriately. Some type of monitoring is usually required. One means of defining the specific monitoring methods appropriate to a particular program or service and the monitoring activities to be completed for an individual sub is a monitoring plan. Ideally, the monitoring plan will be prepared concurrent with the agreement to ensure consistency and that contract/grant requirements support the planned monitoring activities.

When developing a monitoring plan, consider the following:

**Determine the nature,
timing and extent of
monitoring**

**Identify the tools to
measure and assess
performance and
compliance**

Examples of Monitoring Activities

TYPES OF MONITORING ACTIVITY	ACTIONS
Periodic Reporting	Require the sub to submit progress reports or other appropriate data or reports, based on pre-defined criteria, and review the sub'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 sub 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 sub to resolve complaints. Keep records of both the complaint and method of resolution.
Other Periodic Contact with Sub	Maintain contact with the sub to review progress on a regular basis. Good contract/grant monitoring includes a continuous dialogue.
Review of Audit Reports	Review any required audit reports and audit work papers and ensure the 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.

Corrective action is action taken by the recipient/sub to correct identified deficiencies, produce recommended improvements, or demonstrate deficiencies or findings are either invalid or do not warrant action. Corrective action is suggested when identified deficiencies are serious (for example, a failure to ensure client health or safety) or where less formal means have failed. Problems should be addressed immediately, before they become recurring or serious. Each organization should establish guidelines and directives for corrective action.

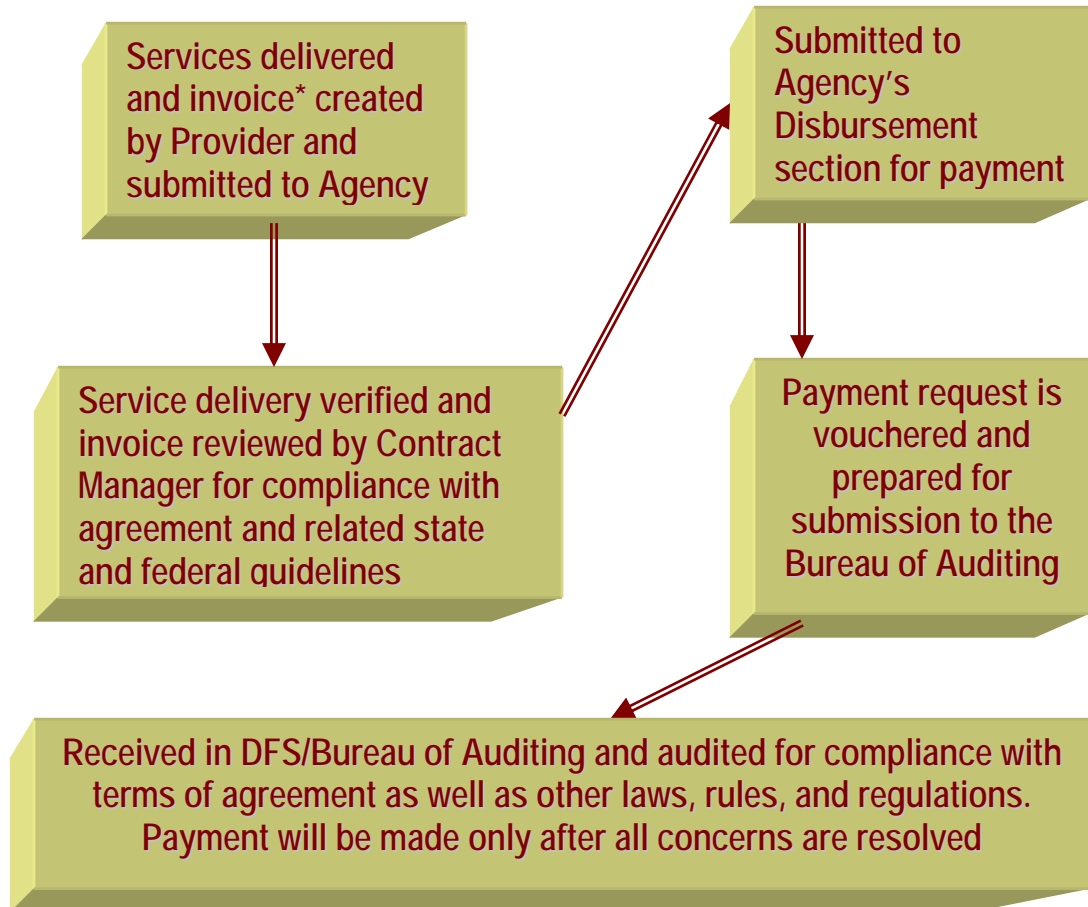
Contract/grant problems warranting corrective action typically include:

- ◆ 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
- ◆ Lack of accountability over funds

Corrective action responsibilities of the manager typically include:

- ◆ Communicating remedies, as appropriate, when performance is deficient.
- ◆ Seeking specialist advice, including legal counsel, when unsure of the rights of either party or the correct action.

Map of the payment process



*Invoices must clearly reflect the description of the service type, number of units and the cost per unit. Supporting documentation should be submitted in an auditable form. Other pertinent information needed for processing the payment should be included on the invoice. This would include the provider's name and address, project number or other identifier, invoice date, and billing period. Additional information may be required by the contracting state agency.

Providers who receive payments from the State can view payments made and associated invoice information at the following web address:
<https://flair.dbf.state.fl.us/caspub/vnpayhst.htm>

The provider should maintain documentation supporting the delivery of services and expenditure of funds for all invoices submitted to the state, regardless of the method of payment. The recipient’s invoicing responsibilities include:

- ◆ Timely submission of a properly completed invoice. Incomplete invoices or inaccurate information may delay the payment process.
- ◆ Ensuring that the information contained on the invoice coincides with any documentation submitted.

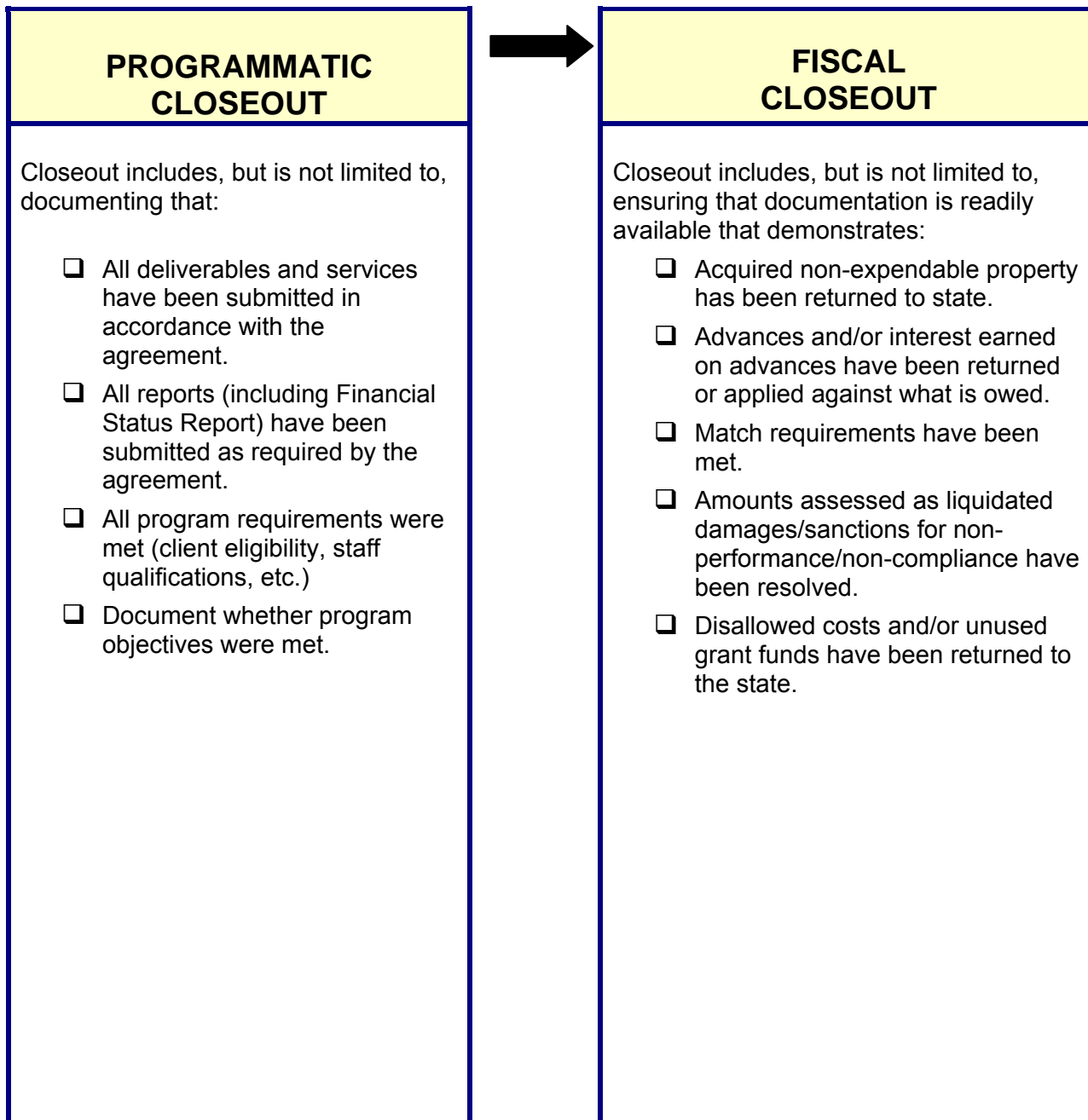
In general, an invoice should not be submitted for payment if you are unable to readily present documentation evidencing the delivery of services and expenditure of funds.

Type of Contract	Payment Verification Actions
Fixed Unit Rate	<ul style="list-style-type: none"> <input type="checkbox"/> Ensure invoice provides unit description and unit price. <input type="checkbox"/> Compare units of service to supporting documentation during monthly billing period to ensure accuracy. <input type="checkbox"/> Ensure rate billed coincides with agreement rate.
Fixed Price	<ul style="list-style-type: none"> <input type="checkbox"/> Ensure invoice amount with the agreement terms. <input type="checkbox"/> Ensure supporting documentation is available to demonstrate minimum performance standards were met.
Cost Reimbursement	<p>Ensure expenditures are:</p> <ul style="list-style-type: none"> <input type="checkbox"/> Allowable in the agreement budget. <input type="checkbox"/> Allowable pursuant to other laws, rules and regulations. <input type="checkbox"/> Directly related to the scope of work; <input type="checkbox"/> Reasonable. <input type="checkbox"/> Within the agreement period. <input type="checkbox"/> Ensure supporting documentation is available to demonstrate minimum performance standards were met.

Special notes:

- ❖ A cost reimbursement situation does not exist until funds have been expended. Incurring a liability does not constitute a reimbursable situation.
- ❖ Travel costs (meal allowance, mileage, per diem, etc.) will be paid in accordance with Section 112.061 Florida Statute.

Providers should maintain a file that documents the delivery of services, expenditure of funds and compliance with applicable laws, rules and other requirements. Subsequent to the completion of the agreement, this file should be reviewed by the provider to ensure that documentation is readily available to demonstrate all obligations required by the agreement have been fulfilled. Closing out an agreement includes the process of completing this file.



NOTE: This documentation must be maintained for at least five years. Some state agencies may require a longer time period.

June 30, 2006

CHIEF FINANCIAL OFFICER'S MEMORANDUM NO. 04 (2005-06)

SUBJECT: COMPLIANCE REQUIREMENTS FOR AGREEMENTS

This memorandum sets forth the **minimum** requirements state agencies must follow for proper accountability over state and federal resources. While the State is accountable to the federal government, sub-recipients of federal financial assistance must be accountable to the State. Recipients/sub-recipients of state financial assistance must also be accountable to the State. This memorandum supersedes Chief Financial Officer Memorandum No. 1 (05-06).

FEDERAL FUNDS

This memorandum is applicable to discretionary grants, which the State receives from the federal government. Applicability to federal entitlement programs or formula based awards should be determined on a case by case basis pursuant to federal regulations for these programs.

State agencies must determine whether they are passing on federal awards in the form of federal financial assistance to sub-recipients or procuring goods and services from a vendor. This determination is critical for the proper accountability over federal financial assistance, which is passed on to sub-recipients. State agencies will use the criteria established in OMB Circular A-133 to make this determination. Agencies must retain documentation to support this determination.

The Office of Federal Financial Management has confirmed to the Department of Financial Services that if the State receives an award of federal financial assistance in the form of a grant or cooperative agreement, any sub-award for the purpose of the grant is subject to the rules applicable to the grant, **even if the sub-award is on a fixed price basis**. Agreements (sub-awards) with sub-recipients of federal financial assistance must require the following, as applicable:

- a. Compliance with OMB Circular A-133 – Audits of States, Local Governments and Non-Profit Organizations
- b. Compliance with OMB Circular A-21 – Cost Principles for Educational Institutions (2 CFR, Part 220); A-87 Cost Principles for State, Local, and Indian Tribal Governments (2 CFR, Part 225); or A-122 – Cost Principles for Non-Profit Organizations, as appropriate (2 CFR, Part 230)
- c. Compliance with OMB Circular A- 102 – Grants and Cooperative Agreements with State and Local Governments
- d. Compliance with OMB Circular A-110 – Uniform Administrative Requirements for Grants and Other Agreements with Institutions of Higher Learning, Hospitals, and Other Non-Profit Organizations (2 CFR, Part 215)

(1) This circular also applies to **sub-awards** made by State and local governments to organizations covered by the circular and provides that:

(CFOM #4 continued)

- (a) A grant may be charged only allowable costs resulting from obligations incurred during the specified funding period.
- (b) Any balance of unobligated cash that has been advanced or paid that is not authorized to be retained for other projects must be refunded to the federal government.
- (c) Any funds paid in excess of the amount to which the recipient is finally determined to be entitled, under the terms and conditions of the award, constitutes a debt to the Federal government.

Agreements with vendors must be procured in a manner that ensures a fair and reasonable price to the Federal government and compliance with applicable rules and regulations, including, but not limited to:

- a. OMB Circular A-87
- b. Section 287.057, F.S.
- c. Section 216.3475, F.S.

- (1) Non-competitive procurements and competitive procurements that result in less than 2 responses must be supported by a detailed price and cost analysis. Costs must be reasonable, necessary and allowable in accordance with state and federal laws, rules and regulations. Agencies must maintain documentation to evidence the agency's review.

STATE FUNDS

State agencies must determine whether they are awarding state financial assistance to a recipient or procuring goods and services from a vendor. State agencies will use the Florida Single Audit Checklist for Non-state Organizations - Recipient/Sub-recipient vs Vendor Determination to make this determination. Agencies must retain a copy of the checklist.

Agreements with recipients of state financial assistance, **even if awarded on a fixed price basis**, must require:

- a. Compliance with Section 215.97, Florida Statutes (F.S.)
- b. Expenditures of state financial assistance be in compliance with laws, rules and regulations applicable to expenditures of State funds, including, but not limited to, the Reference Guide for State Expenditures
- c. A provision stating that an agreement may be charged only with allowable costs resulting from obligations incurred during the term of the agreement.
- d. A provision that any balances of unobligated cash that have been advanced or paid that is not authorized to be retained for direct program costs in a subsequent period must be refunded to the State.

Agreements involving the State University System, the Florida Community College System, district school board, or charter schools using state funds must be procured in a manner that ensures a fair and reasonable price to the State and compliance with applicable rules and regulations, including, but not limited to:

- a. Section 216.3475, F.S.

(CFOM #4 continued)

- (1) Non-competitive procurements and competitive procurements that result in less than 2 responses must be supported by a detailed price and cost analysis. Costs must be reasonable, necessary and allowable in accordance with state laws, rules and regulations. Agencies must maintain documentation to evidence the agency's review.
- b. May be fixed price contract that entitles the provider to receive full compensation of the fixed contract amount upon completion of all deliverables.
 - c. May be a fixed rate per unit contract that entitles the provider to receive compensation for each deliverable provided.
 - d. May be a cost reimbursable contract that entitles the provider to receive compensation for actual allowable costs incurred in performing contract deliverables.
 - e. May be a combination of b, c and d.

Agreements with vendors must be procured in a manner that ensures a fair and reasonable price to the State and compliance with applicable rules and regulations, including, but not limited to:

- a. Section 287.057, F.S.
- b. Section 216.3475, F.S.

(1) Non-competitive procurements and competitive procurements that result in less than two responses must be supported by a detailed price and cost analysis. Costs must be reasonable, necessary and allowable in accordance with state laws, rules and regulations. Agencies must maintain documentation to evidence the agency's review.

TRAINING

The department currently provides training to contract and grant managers and providers of service, which includes the requirements set forth herein. Contact Suzette Harris at (850) 413-5740 or suzette.harris@fldfs.com to register for a class.