

Mail Services Contract Billing Process **Audit Report 202223-05**

January 18, 2023

Executive Summary

The Department of Highway Safety and Motor Vehicles (Department) maintains a Service Level Agreement (SLA) with a mail management vendor, which is an approved Department of Management Services (DMS) state-term contract. The mail services vendor conducts mail management which includes; processing, sorting, printing, scanning, storing, transporting, delivering, handling, receipting, and logging mail on behalf of the Department.

The Division of Administrative Services, Office of Support Services (OSS) oversees the SLA for the Department. The Department has contracted with the vendor for the same or similar services since 2009. During the 2021-2022 Fiscal Year, the Department spent approximately \$5,659,272 on mail management services.

The purpose of this audit was to review the Department's mail services contract billing process and evaluate compliance with contract terms, applicable laws, Department policy and procedure.

We reviewed how contract deliverables are reported, how services are billed, the reconciling and approving of monthly invoices, imposing liquidated damages, monitoring and oversight activities, and invoice payment. We also reviewed a sample of invoices and compared them to supporting documentation to determine if the rates and services were in accordance with the SLA and to identify any instances of additional fees or duplicate charges.

Our review determined the Department has adequate and efficient processes for overseeing contract deliverables and billing by the mail service vendor in accordance with the SLA and generally complies with applicable laws, and Department policy and procedure.

Background and Introduction

The mail services contract requires the vendor to provide specific information on a monthly basis to support that performance measures are being met and the Department is correctly billed for services. By clearly stating contract requirements and performance goals, the Department reduces the potential for poor performance. The Department's contract manager has a responsibility to verify the information that the vendor reports to ensure funds are expended properly for services rendered.

Section 287.058(1) Florida Statutes (F.S.), states that procurement of contractual services shall be evidenced by a written agreement embodying all provisions and conditions of the procurement of such services, and include provisions specifying a scope of work that clearly establishes all tasks the contractor is required to perform and dividing the contract into quantifiable, measurable, and verifiable units of deliverables that must be received and accepted in writing by the contract manager before payment. Each deliverable must be directly related to the scope of work and specify a performance measure. Performance measure means the required minimum acceptable level of service to be performed and criteria for evaluating the successful completion of each deliverable.

The SLA is executed between the mail services vendor and the Department pursuant to the State Term Contract No. 80141800-15-01 and Section 287.056, F.S.¹ The SLA includes the Scope of Services document, which details the work activities, deliverables, expectations, timelines, and financial consequences for non-performance for all work performed by the vendor.

The contract manager is responsible for enforcing compliance with the terms and conditions of the contract. This includes day-to-day contract oversight and approval of contract deliverables and invoices.

The following sections describe the mail service contract billing process and actions required from both the Department's contract manager and the vendor.

Contract Deliverables

The SLA states the vendor must provide deliverables in accordance with the Scope of Services which details the description, the performance tasks/duties, the average monthly volume, and the deliverable time frame.

At the beginning of each month, the vendor submits performance documents for the prior month's work to the contract manager by email. The vendor's performance reports are generated electronically by the vendor's proprietary reporting methods and include:

- A detailed summary of daily jobs printed;
- Metered mail totals;
- Postage; and
- Envelope charges.

¹ Section 287.056, F.S. – Agencies shall purchase commodities and contractual services from purchasing agreements established and state term contracts procedure. Each agency agreement made under this subsection shall include: (a) A provision specifying a scope of work that clearly establishes all tasks that the contractor is required to perform; (b) A provision dividing the contract into quantifiable, measurable, and verifiable unit of deliverables.

Additionally, daily printed reports are obtained from the vendor detailing what the vendor printed by category. These printed reports are delivered to the contract manager daily and are held until a reconciliation of the invoice is completed for the prior month's work performed.

Deliverables are approved in writing by the contract manager. If deliverables are not met, or not met on time, the contract manager notifies the vendor of the issue(s) and may assess liquidated damages.

Invoice Billing

Official invoices are emailed from the vendor's corporate office to the Department's contract manager by the middle of each month for the prior month's deliverables. The SLA requires the invoice to include at a minimum:

- Documentation detailing deliverables completed during the preceding month;
- The time period in which deliverables were completed;
- Vendor's invoice number;
- Invoice date; and
- The Department's SLA/purchase order number.

Reconciling Invoices

The SLA specifies the vendor is responsible for providing the following performance reports to the Department's contract manager each month:

- Monthly postage usage reports;
- Daily and monthly reports on all incoming and outbound mail, accountable volume, printing, and postage and envelope charges;
- Daily and monthly data collection and monthly reports on volumes of documents printed and processed; and
- Reports indicating the volume of printing on a daily and monthly basis.

The Department's contract manager receives the vendor's monthly performance documents via email the first week of the month for the prior month's work. This includes; United Postal Service (UPS) invoices, a service invoice model, a detailed summary of daily jobs printed, metered mail totals, the vendor representative's own invoice/payment comparison, monthly print summary, postage charge summary, and envelope charges.

The contract manager compares the vendor's performance reports to the Department's print reports and documents this information in a supporting spreadsheet template to reconcile the information received.

After the contract manager is satisfied with the reconciliation, the contract manager notifies the vendor to have their corporate office send the official monthly invoice via email. The contract manager reconciles the information that is placed into the supporting spreadsheet template to the official invoice. The contract manager then places the official invoice and supporting spreadsheet within My Florida Market Place (MFMP) with a signed certification stating that the costs are true and valid.

Liquidated Damages

The SLA states the Department's contract manager will perform monitoring during the term of the SLA to determine if the vendor has met each performance standard. Monitoring includes the review of compliance with the SLA service delivery and all other SLA requirements.

If the Department determines the vendor has failed to meet a performance standard or other SLA terms and conditions, the vendor may be fined and sent a formal communication letter in accordance with the SLA. When issues of non-compliance are identified by the Department, the vendor must submit a written corrective action plan if requested.

Monitoring/Oversight

Monthly, there is a review and reconciliation of the vendor's invoice amounts to ensure that contractually agreed pricing is paid. The contract manager compares the vendor's invoice to the numbers that are generated during the reconciliation process. Any pricing discrepancy is remediated before the invoice is paid. This review is then logged by the contract manager into a spreadsheet.

Accounts Payable Process

Once the Department's contract manager reconciles and approves the invoice, it is submitted to the accounts payable section. Accounting members reconcile the invoice against the purchase order in MFMP, ensuring that the payment is within the terms of the purchase order and that the quantity and unit cost is verified for each line of the purchase order. Accounting members also ensure there are enough funds encumbered to pay the invoice. The invoice is reviewed by a manager to ensure the payment amount is correct.

Results

Our review determined the Department has adequate and efficient processes for overseeing contract deliverables and billing by the mail service vendor in accordance with the SLA and generally complies with applicable laws, and Department policy and procedure.

Purpose, Scope, and Methodology

The purpose of this audit was to review the Department's mail services contract billing process and evaluate compliance with contract terms, applicable laws, Department policy and procedure.

The scope of this audit included the Department's mail services contract billing process from July 1, 2021 – June 30, 2022.

The methodology included:

- Reviewing applicable statutes, rules, and procedures;
- Reviewing the terms of the state-term contract and SLA;
- Interviewing appropriate Department staff;
- Reviewing the contract deliverables reporting process;
- Determining how invoices were received;
- Reviewing the invoice reconciliation process;
- Reviewing processes for identifying instances of incorrect billing;
- Determining what actions are taken by the Department in instances of imposing liquidated damages due to performance;
- Reviewing monitoring/oversight activities relating to contract billing and payments; and
- Reviewing a sample of invoices and comparing them to supporting documentation.

Acknowledgment

We would like to thank the OSS contract manager and section and express our appreciation for their cooperation during the course of our examination.

Distribution, Statement of Accordance, and Project Team

Distribution

Dave Kerner, Executive Director
Jennifer Langston, Chief of Staff
Kevin Bailey, Director of Administrative Services
Lisa Bassett, Chief Administrative Officer

Melinda M. Miguel, Chief Inspector General
Sherrill F. Norman, Auditor General

Statement of Accordance

Section 20.055, Florida Statutes, requires the Florida Department of Highway Safety and Motor Vehicles' Inspector General to review, evaluate, and report on policies, plans, procedures, accounting, financial, and other operations of the Department and to recommend improvements. This audit engagement was conducted in accordance with applicable *International Standards for the Professional Practice of Internal Auditing* published by the Institute of Internal Auditors and *Principles and Standards for Offices of Inspector General* published by the Association of Inspectors General.

Project Team

Engagement conducted by:
Kim Butler, Auditor
Michael King, Auditor

Under the supervision of:
Erin Mook, Audit Director

Approved by:



Mike Stacy, Inspector General