

FLORIDA DEPARTMENT OF EDUCATION



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CHANGE & RECORD MGMT

January 19, 2010

Dr. Eric J. Smith, Commissioner
Florida Department of Education
325 West Gaines Street, Suite 1514
Tallahassee, Florida 32399-0400

Dear Commissioner Smith:

In accordance with Section 20.055(5)(h), Florida Statutes, please find attached the six month follow-up response concerning the Auditor General's report number 2009-213 *Department of Education Operational Audit* for your information.

If you have any questions, please contact me at 245-9418.

Sincerely,

A handwritten signature in cursive that reads "Ed W. Jordan".

Ed W. Jordan

br

Attachment

c: Auditor General
Florida Joint Legislative Auditing Committee

RECEIVED
JAN 22 2010

ED W. JORDAN, CIG, CFE, CIA
INSPECTOR GENERAL



Auditing Organization:	Auditor General, State of Florida
Program/Area Responding And Contact:	Administrative Services/Martha K. Asbury
Audit Report Number:	2009-213—Operational Audit

Finding No. 1: The Department did not follow its Procedure for Reviewing Audit Reports for audits of community colleges.

Subsequent to the audit inquiry, Department management reviewed and updated the existing procedure, established an audit review committee, set timelines and deadlines for audit review phases, revisited all prior audits received during and subsequent to the audit period, and documented findings and required follow-up in accordance with the established procedures. All outstanding audit reviews to date are now current and required actions are scheduled or have already taken place. Documentation of findings and all follow-up is on file in the Division of Finance and Operations – Community College Budget Section.

No further action needed.

Finding No. 2: The Department's procedures for ensuring that audit findings were timely resolved by district school boards were in need of enhancement.

The Department had previously established written procedures related to the timely follow-up of DSB audit findings. Changes in personnel over the past several years resulted in a lack of clarity regarding the responsibilities of the respective offices for audit resolution. Consequently, the Department is reviewing the existing procedures, implementing improvements to strengthen the procedures, and providing training to responsible personnel regarding proper implementation of the procedures.

The Department has reviewed and enhanced its procedures for Auditor General Reports follow-up and has taken action to ensure that staff complete appropriate documentation from districts which will include either (a) a written response from the district Finance Officer that clearly addresses the district's actions in response to the audit finding, or (b) new policies and procedures that address the issue(s) in the audit finding. Additionally, Department staff will contact the district regarding audit findings after two months instead of three months from the date the Department receives an audit report. These actions will ensure timely follow-up of audit findings.

Finding No. 3: The Department did not have adequate procedures for updating its insurance coverage for buildings and contents.

The Department will consult with DFS's Division of Risk Management on the methods for determining appropriate coverage for buildings, leased locations, and contents. Additionally, the Department will adopt the guidelines and procedures set forth by the Division of Risk Management's Bureau of Property, Financial and Risk Services to enhance its internal procedures and existing review processes including appropriate supervisory review of insurance coverage updates. Any employees that have not already received necessary training provided by DFS will be scheduled to participate as soon as possible. Finally, all insurance coverage will

be reviewed for accuracy.

The Department consulted with DFS to determine the methods for determining appropriate coverage for buildings, leased locations, and contents. As a result, DFS provided one-on-one training with the appropriate Department employees on January 13, 2010. At that time, DFS reviewed the Department's procedures to ensure that they are aligned with DFS Risk Management guidelines and procedures.

Finding No. 4: The Department's procedures for collection of accounts receivables and recording of receivables in its accounting records were in need of improvement.

The Department will enhance its existing procedures to include additional details on the monitoring, tracking, and recording of restitution payments and will take such actions as appropriate to collect outstanding receivables or refer the accounts to DFS for further action.

The Department has enhanced its existing written procedures to include additional details on monitoring, tracking, and recording of restitution payments. Additionally, the Department has collected outstanding receivables or referred the accounts to DFS for further action.

Finding No. 5: Improvements were needed in procurement procedures to reduce the need of settlement agreements for payment of vendors.

The Department does have written procedures regarding settlement agreements that incorporate by reference, the applicable DFS guidelines. The Department is in the process of enhancing its current procedures to ensure settlement claims continue to be processed in accordance with DFS guidelines. It is the Department's policy to have contracts and purchase orders in place prior to the rendering of service as clearly evidenced by the fact that there were only nine claims to five vendors settled during the audit period (a relatively small number given the scope of responsibilities of the Department). In each instance where a settlement agreement was executed, it was done so because appropriate management staff determined that the activity was mission critical and the circumstances warranted such an action. The need for a settlement agreement is recommended and approved through a series of senior management staff including the Deputy Commissioner for Finance and Operations and the Commissioner.

Finally, the Department has taken an additional measure to avoid the necessity of settling contract claims by updating the Department's Contract, Audit, and Procurement training to include a presentation on settlement agreements and how to avoid them. This training is available to all contract managers and the updated training was first held in January 2009.

In November 2009, the Bureau of Contracts, Grants, and Procurement Management Services provided training to DOE contract managers on how to avoid settlement agreements.

Finding No. 6: The Department's procedures for ensuring compliance with the Florida Single Audit Act requirements were not always effectively administered.

The Department will review its process for submitting the Catalog of State Financial Assistance Agency Certification (DFS-A2-PD) to ensure it is received by the Department of Financial Services timely; however, it should be noted that there are instances when funding decisions cannot be made prior to July 31, and thus it may not be possible to complete the update prior to that date. The Department will continue to work with DFS to complete the Certifications as quickly as possible.

The Office of Audit Resolution and Monitoring continues to work closely with Budget, Comptroller, and program staff to ensure the Catalog of State Financial Assistance Agency Certification (DFS-A2-PD) is submitted timely to the Department of Financial Services (DFS). These actions demonstrate the Department's continued effort to meet the timelines established by DFS.

The Department has revised applicable desk procedures to ensure controls are in place to complete the Florida *Single Audit Act Checklists for Non-State Organizations – Recipient/Subrecipient vs. Vendor Determination* (Form DFS-A2-NS) prior to awarding funds to recipients.

The Department continues to enhance its existing procedures which now require program areas to complete the necessary form(s) and review them during the grant pre-approval process.

Finding No. 7: Several instances were noted where it appeared that the most economical means of travel was not efficiently utilized by Department personnel, and other instances were noted where Department policies related to employee travel were not always followed.

The Department has implemented procedures that are closely aligned to and more consistent with the DFS Reference Guide for State Expenditures (DFS Guide) than the procedures that were provided to the auditor. Under the revised policy, the Department indicates that "justification may [emphasis added] be requested for hotel rates that are deemed excessive" which is consistent with the DFS Guide. The DFS Guide provides that, "justification will not be required by the Bureau of Auditing in all cases where hotel expenses for in-state travel exceed \$150 per night." Additionally, CFO Memorandum No. 3 (2005-06) states that "travelers should be prepared to justify situations where hotel costs appear excessive for the areas in which the traveler is staying...consideration should be given to geographic areas and seasonal rate fluctuations." The destination cities of these travelers were large metropolitan areas where the room rates were consistent with surrounding accommodations and therefore additional documentation was not required.

According to the DFS Guide, justification or documentation to indicate the most economical means of travel is not required to be written on the travel documents. However, the Department does consider the most economical means for each traveler and considers many other factors including the employee's time, additional incurred costs for flight changes, and per diem or subsistence required. It is the responsibility of the authorizing supervisor to ensure that all relevant factors, including the most economical means for travel are considered when approving travel plans and to document these decisions as necessary and appropriate.

The Department will continue to revise its current travel manual to ensure appropriate notations are made in instances where travel plans change and management approval can not be made prior to departure.

The Department revised its travel manual in an effort to more clearly address instances where travel plans change and management approval can not be made prior to departure.

Finding No. 8: The Department's controls over the issuance of and subsequent accountability over travel advances were deficient.

The Department will enhance its existing procedures for the monitoring and issuance of travel advances to address issues of which estimated costs are allowable for advances and timely settlement of excess advances.

The Department updated its existing written procedures which included the development of the travel advance checklist.

Finding No. 9: The Department did not, in some instances, adequately resolve prior audit findings related to maintaining a master list of cash collection locations; submitting banking data to the Department of Financial Services; recording and reporting accurate motor vehicle data in a consistent manner; monitoring cellular telephone usage; and revoking former employees' access to the Florida Accounting Information Resource Subsystem in a timely manner.

- As of October 10, 2008, the Department updated the cash collection master list with the five "unaccounted for cash collection locations." Procedures are in place to ensure that all collection points are accurately reflected on the Department's cash collection master list. No further action needed.
- After guidance from DFS regarding the definition of banking service contracts, the Department submitted the required information to the DFS Division of Treasury. The Department will ensure that timely submission of all banking service contracts is provided annually. The Department submitted banking service contracts to DFS on July 13, 2009.
- The prior audit (Report No. 2007-084 release date January 24, 2007) referred to in the preliminary and tentative findings and recommendations from the Auditor General's office covered the 2005 time period. As a result of that audit, the Department made significant modifications to the Motor Vehicle Operating Procedures. Because of the overlap in timing from the prior report and the current audit period (2007), it appears that the changes in the procedures did not have time to take effect with regard to implementation. Immediately following the prior audit, policies and procedures were updated to address noted deficiencies cited in the report. The need for an accurate motor vehicle record is clear and Department staff continues to emphasize the importance of timely and accurate record keeping. As an additional enhancement, during the annual property inventory, the Bureau of General Services provided fuel card and vehicle training for all vehicle drivers in accordance with Internal Operating Procedures numbers 8.5 and 8.6. Further, beginning with fiscal year 2009-2010, the Bureau will provide an additional quarterly review in order to ensure compliance of all travel reports prior to entry into the EMIS system and has instituted follow-up on identified deficiencies with appropriate management staff.

As a continuing effort to improve the accountability for Department's Motor Vehicle Operating Procedures, the Bureau of General Services has conducted fuel card and vehicle accountability training for all vehicle drivers in accordance with sections 8.5 and 8.6 of the Department's Internal Operating Procedures. It is the intent of the Department to provide additional training in 2010.

Additionally, the Department is conducting quarterly reviews in order to ensure compliance with all travel reports prior to entry into the EMIS. As a result of quarterly reviews, all findings are discussed and resolved with appropriate staff and with management.

Department managers continue to emphasize with staff the importance of accurate and timely motor vehicle record keeping.

- The Department will seek guidance from DFS regarding the computation of reimbursement for personal calls made using state-issued cellular telephones. Additionally, procedures will be enhanced to accommodate the documentation of supervisory reviews.

The Department's "Invoice for Cellular Telephone/Blackberry Service Memorandum" has been enhanced and requires that appropriate managers review and approve employee cellular and blackberry usage.

- The Department has enhanced its Internal Operating Procedures by having separation notification emails be sent from the Personnel Office to key areas including the Comptroller's Office that indicates employees' termination dates. The Department will continue to enhance communication between the Comptroller's Office and the Personnel Office to ensure that FLAIR access is terminated promptly.

No further action needed.