

Florida Department of Economic Opportunity
Six-Month Status of Audit Findings
Auditor General Report No. 2018-139
(Department of Economic Opportunity (DEO) and Enterprise Florida, Inc. (EFI) State Economic Development Incentive Programs and selected Department Administrative Activities)
August 27, 2018

Finding No. 1: Economic Development Incentive Application Reviews

Auditor Recommendation:

We recommend that Division and EFI management enhance economic development incentive application review and approval controls to ensure that Division and EFI records demonstrate that applications are reviewed and processed in accordance with State law.

Original DEO Response:

Although not required by statute, the Division is considering strategies to improve the documentation of inquiries and determinations of whether State and local permits are needed and whether applicable permits can be waived.

Economic Development projects can be complex and involve many partners, including EFI, local economic development organizations and local governments. Division staff is laser focused on being good stewards of our taxpayers' dollars and detailed due diligence is conducted for each project. Additionally, staff ensures that each project is thoroughly evaluated and provides a return on investment to the State. As a result, there are numerous communications during the life of a project and these communications are conducted either via email or telephone. Division staff may communicate directly with the applicant or through EFI. Regardless, documenting each communication is burdensome, time consuming, and reduces the Division's efficiency. Any increased documentation adds an additional layer of bureaucracy impeding our ability to efficiently achieve our economic development mission. Although such documentation is not required by statute, we are evaluating strategies for implementing the most efficient documentation procedures that are consistent with the goals explained above.

Original EFI response:

EFI will work with DEO to evaluate opportunities to improve the process to ensure that applications are administered in accordance with State law.

DEO Six-Month Status:

Division staff and EFI are working together closely and continue to communicate on projects in the most efficient manner. The teams have held two events in the past twelve months via in-person team meetings to ensure that the process is fluid and efficient.

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EFI Six-Month Status:

EFI has attended two events with DEO including a training event as recent as July 2018, as well as multiple in-person and phone meetings to ensure that applications are administered according to state law. EFI will continue to communicate and work closely with DEO to ensure accuracy and efficient processes.

Finding No. 2: Economic Development Incentive Application Data

Auditor Recommendation:

We recommend that EFI and Division management work collaboratively to consistently and efficiently share Salesforce application data. Additionally, we recommend that EFI management enhance controls to ensure that staff efforts to contact businesses contemplating an expansion in or relocation to the State are adequately documented, Salesforce accurately reflects the dates applications are received and provided to the Department for further review, and application dispositions are accurate. We also recommend that Division management ensure that application data is timely recorded in Salesforce.

Original DEO Response:

A continuous improvement event was held in December 2017 to streamline the process from the initial application to approval of payment to the client. The event brought the Division of Strategic Business Development, EFI and RSM together to work on increasing the total client experience. During the event, it was discussed that a connection between all mentioned parties would bring continuity, expedience and accuracy to the process with real time metrics. The Division is currently validating the funding possibilities to achieve this connection. The Division will continue to work with EFI to enhance the communication and sharing of data even without the seamless connection.

Original EFI response:

EFI will coordinate with DEO to develop an integration of the Salesforce databases to effectively and accurately communicate incentive application status and data. EFI has participated in continuous improvement workshops with DEO as recently as December 2017.

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EFI will work with DEO to better track application data across both entities. EFI will enhance controls to ensure that staff efforts to contact businesses contemplating expansion are documented.

DEO Six-Month Status:

DEO and EFI continue to work together closely to share project and client information. The teams hold weekly calls to share vital information for projects and clients, as well as daily one-on-one communications. EFI now attends our weekly calls with the third-party auditor. With the transitions taking place during an election year, the teams determined it would be appropriate to push any collaborative Salesforce connection/integration into 2019.

EFI Six-Month Status:

EFI will continue to work closely with DEO to share project and client information. The integration of the Salesforce databases will be administered at a later date.

Finding No. 3: Prorated QTI Tax Refunds

Auditor Recommendation:

To ensure that tax refunds are provided in accordance with State law, we recommend that Division management enhance controls for reviewing and approving prorated QTI tax refunds. Additionally, we recommend that Division management document efforts to ensure that QTI economic development incentive agreements comply with current State law and Department procedures governing the application for and award of tax refunds.

Original DEO Response:

The Division concurs with the finding that there was an overpayment in the amount of \$9,109. In response to this finding, the Division immediately reached out to the client and explained the overpayment. The client is aware that the next payment of funds will have the \$9,109 overpayment deducted.

Although the Division does consider state laws when reviewing incentive claims, it did not have formal documented procedures in place to prove that the state laws were reviewed. Since the audit, the Bureau of Compliance and Accountability has taken the proper steps to ensure that

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incentive claims are formally documented and that state laws are considered. The Division has added a step to the current checklist for the incentive review process for review of current state law.

DEO Six-Month Status:

Local Financial Support was received from the local entity for the QTI and client that was overpaid. As per the agreement with the company, the deduction of the \$9,109.00 will be reconciled on this year's payment.

The Checklist was updated, implemented and is working as expected.

Finding No. 4: Community Overviews of Economic Development Incentives

Auditor Recommendation:

We recommend that EFI management work with counties to ensure that counties timely submit to EFI the economic development incentives overviews and information required by State law.

Original EFI Response:

EFI management will work with the EDC of each county or regional counties to ensure their timely submission to EFI of the economic development incentives overviews and information required by law. This information will be uploaded to Salesforce to ensure compliance.

EFI Six-Month Status:

EFI management will continue to communicate and work with the county EDC's to ensure compliance with State law.

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Finding No. 5: Reporting of Performance Results

Auditor Recommendation:

We recommend that Department and EFI management enhance controls to ensure that Department and EFI annual reports accurately reflect EFI's performance in achieving the performance goals included in its annual contract with the Department.

Original DEO Response:

The Department has implemented further steps to ensure that published performance numbers are accurate. All numbers going into the annual report will be approved by both DEO and EFI. Prior to publishing the DEO annual report, the Division of Strategic Business Development will work closely with EFI to ensure all numbers are accurate. Once both teams have reviewed the document and approved the statistics and any additional content, the document will be shared with communications staff and leadership teams at both organizations. A formal request of approval from EFI Leadership will be made before publishing EFI performance data.

Original EFI response:

EFI has hired a new Contracts and Grants Manager responsible for this report and implemented new controls to ensure accurately reported results. EFI will coordinate efforts with DEO to ensure consistent results are reported as required by law.

DEO Six-Month Status:

The annual report for FY17-18 has not been completed, however, the process outlined above will be utilized. The process will ensure continuity and accuracy in the reporting.

EFI Six-Month Status:

EFI has processes for a multi-level review of performance results prior to publishing and will continue to communicate with DEO to ensure accurate reporting.

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Finding No. 6: Background Screenings

Auditor Recommendation:

Department management should ensure that Department records evidence that all Department and third-party personnel with access to proprietary and confidential business information are subject to level 2 background screenings and that the results of the screenings were appropriately considered.

Original DEO Response:

It is the Department's policy that all third-party personnel who will have access to the Department's confidential databases are required to have Level II background screenings conducted prior to hire date. Although records of Level II background screenings were not produced at the time of the audit, the screenings were performed. The records were not available due to a previously performed audit by the Florida Department of Law Enforcement (FDLE) that cited concerns in storing the records on Department servers. Therefore, in complying with audit concerns, records were discarded causing a gap in backup data proving Level II screenings were conducted.

The results of all Level II background screens are sent to the Department by FDLE via a secured and confidential "inbox" that is only accessible by two employees within the Bureau of Human Resource Management. When a notification is received, it is reviewed and a screen shot printed with the applicant name and TCN number. A copy of the screen shot of the inbox is given to the manager who requested the screening with an indication of "ok" if there were no criminal history results noted. If there was a criminal history, the manager would be directed to HR to review the results and make a determination. The determination would then be coordinated with the General Counsel's office. Once approved, the Division submits an Information Systems Security Agreement/Confidentiality form for the third-party to be granted access to the Salesforces/DEO SharePoint site and a DEO email address is established. Those documents are filed and maintained within the requesting Division.

Human Resource Management does not maintain a "historical stored" database of all Level II background screening results. However, a master log of all Level II background screenings conducted is maintained.

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DEO Six-Month Status:

The above process is working and is being utilized. No further action is needed.

Finding No. 7: Conflicts of Interest

Auditor Recommendation:

To promote the appropriate disclosure of any potential conflicts of interest, we recommend that EFI enhance controls to ensure that the EFI President, senior managers, and Board members annually complete a conflict of interest disclosure form.

Original EFI Response:

EFI's president, senior managers and members of the board of directors are all subject to Section 288.901, Florida Statutes, and to various parts of Florida's Code of Ethics. Among these are requirements relating to conflicts of interest, voting conflicts and financial disclosure. EFI board members, senior managers and its President are subject to prohibitions on doing business with EFI and entering into conflicting employment or contractual relationships. In addition, these individuals must complete an annual financial disclosure form that is filed with the Commission on Ethics and board members are required to disclose conflicts relating to any vote coming before the board that may inure to the private gain or loss of the board member, their relative, business associate or principal by whom they are retained.

As requested by the Auditor General however, EFI board members, president and senior managers will annually execute a form identifying board member personal business and family relationships.

EFI Six-Month Status:

EFI's General Counsel has met with management and board members regarding disclosure of conflicts of interest and are collecting these disclosures at each board meeting.

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Finding No. 8: Salesforce Access Controls

Auditor Recommendation:

To minimize the risk of compromising Department data and IT resources, we recommend that Division management ensure that Salesforce user access privileges are immediately deactivated upon Division personnel's separation from employment or upon notification from non-Division personnel management that the access privileges are no longer needed. Additionally, we recommend that Division management establish procedures requiring proper authorization be obtained and documented prior to granting Salesforce user access privileges and that periodic reviews of Salesforce user access privileges be performed and documented.

Original DEO Response:

The Database Administrator has identified the steps below to remedy the lack of documentation for logging activation and deactivation of Salesforce users. The Database Administrator maintains an Activation/Deactivation Checklist. This log is signed by both the Database Administrator and the Division Director, and is used for both activation and deactivation. There has also been a field added to Salesforce by the Database Administrator that is populated at the time of deactivation. The signed forms are filed and housed with the Database Administrator.

DEO Six-Month Status:

The checklist implementation has corrected the issues. We are also in the process of implementing shadow IT for the Agency which will further enhance the controls of the process of new user activation and deactivation.

Finding No. 9: Security Controls- Logging and Monitoring

Auditor Recommendation:

We recommend that Division management strengthen certain security controls related to the logging and monitoring of Salesforce activity to better ensure that inappropriate or unauthorized system activity, should it occur, is timely detected and resolved.

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Original DEO Response:

The Database Administrator has worked to strengthen certain security controls related to the logging and monitoring of Salesforce activities to better ensure that inappropriate or unauthorized system activity will be timely detected and resolved.

DEO Six-Month Status:

The above process is being monitored and utilized, and the Database Administrator remains in contact with Salesforce to ensure security controls remain updated.

Finding No. 10: Purchasing Card Controls

Auditor Recommendation:

We recommend that Department management monitor the reasonableness of purchasing card transaction limits and promptly cancel purchasing cards upon a cardholder's separation from Department employment.

Original DEO Response:

The Department has updated its purchasing card procedures to include a semi-annual review of purchasing card transaction limits. This procedure will review cardholders whose transactions for the period are 25% or less of the cardholder's approved limits. This will help to ensure that card holder limits are either justified based upon business need, or adjusted to a level that is commensurate with use.

The Department has updated its purchasing card procedures to include a daily review of all separation information that is available to the Purchasing Card Administrator, and a monthly reconciliation of active cardholders to active employees. This will ensure that purchasing cards are cancelled as separations occur, with a reconciliation to ensure no separations were missed.

DEO Six-Month Status:

The Department conducted an initial review of card limits in February of 2018. Four cards were deactivated and limits on six other cards were reduced as a result of the review. The new P-Card Works System, which DEO implemented in August of 2018, provides an entirely different

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methodology for card limits. The Department will be reviewing limits under the new system with cardholders, which will substitute for the 2nd semi-annual review of card limits previously scheduled for August of 2018.